

**TRENDS IN
AGENCY
COMPENSATION:
1992**

RESULTS OF A.N.A.'S TRIENNIAL SURVEY



Association of National Advertisers, Inc.

Trends in Agency Compensation: 1992

Prepared by William M. Weilbacher
President, Bismark Corporation

Under the auspices of
the Association of National Advertisers, Inc.
Advertising Financial Management Committee



Printed on recycled paper

Trends in Agency Compensation: 1992

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Printed in the United States of America

ISBN 1-56318-008-1

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FOREWORD

The information in the report was obtained by surveying Member Companies of the Association of National Advertisers, Inc. on their methods of compensating advertising agencies. As the eighth A.N.A. study on this subject, the report provides the most comprehensive and current information available on compensation arrangements. Both advertisers and advertising agencies can use this report as a meaningful resource in comparing and assessing their individual practices.

The report analyzes the overall pattern of compensation, frequency and effectiveness of changes, profit guarantees and other unusual features in compensation arrangements. An emphasis continues on overall trends based on the wealth of information from seven previous A.N.A. studies which serve as an invaluable base line in measuring and predicting future industry arrangements. Like its predecessor, this report is enriched by the addition of numerous advertiser verbatims to clarify the meaning of the statistics.

On behalf of A.N.A., I wish to extend my personal appreciation to all respondents who participated in the survey, and Members of the Advertising Financial Management Committee who gave input to the design and content of this year's survey.

Thanks also goes to Bill Weilbacher who constructed the questionnaire, conducted the analysis and prepared this report. The tabulations were prepared by Roy Hardiman, executive vice president, Trewhella, Cohen, Arbuckle, Inc.

Appreciation is also extended to the A.N.A. Staff who assisted in all aspects of the survey and its subsequent publication.

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About the Author

William M. Weilbacher is president of Bismark Corporation, a marketing and advertising consulting firm he formed in 1979. He started his career in the marketing research department of National Biscuit Company in 1951, and was with Dancer Fitzgerald Sample, Inc., (DFS) from 1953 to 1962. He was appointed vice president, director of research there in 1958. From 1962 to 1966, he served as senior vice president for marketing services and chairman of the plans board at McCaffrey & McCall. From 1966 to 1969, he was with the Interpublic Group of Companies as a partner and account management director of Jack Tinker and Partners. During 1969 and 1970, he was vice president and director of research at the J. Walter Thompson Company. He rejoined DFS in 1971 as senior vice president and account management director, and was elected a director in 1972, executive vice president in 1973, and vice chairman in 1974.

In addition to his triennial work on *Trends in Agency Compensation* (formerly known as *Current Advertiser Practices in Compensating their Advertising Agencies*), Bill is the author of A.N.A.'s *Managing Agency Relations* (1991) and *Auditing Productivity of Advertiser-Agency Relationships* (1981). He also has authored *Marketing Management Cases* (fourth edition, 1986, Macmillan Publishing Company), and *Advertising*, an introductory textbook (second edition, 1984, Macmillan).

He has served as a member of the boards of directors of the Broadcast Ratings Council (1963-1967), the Advertising Research Foundation (1965-1967), and the Audit Bureau of Circulations (1964-1970). He has been a member of the Market Research Council since 1960 and served as its president in 1970-1971. He has held the rank of adjunct professor at the Graduate Schools of Business at Columbia and New York University, and at the S.I. Newhouse School at Syracuse University. He is a graduate of Yale University and the Graduate School of Business of Columbia University.

His company, Bismark Corporation, specializes in consulting assignments from advertisers, concentrating on marketing and advertising strategy development; advertising agency search and compensation; and the evaluation of advertiser and agency relationships.

INTRODUCTION

What This Report Contains and Where To Find It

This study of advertiser practices in compensating their advertising agencies has been designed to answer six basic questions:

- 1. What is the overall pattern of advertising agency compensation? (Chapter 1)**
 - How many companies use each method?
 - What are the trends in agency compensation practice?
 - When advertisers use a commission of less than 15 percent, either flat rate or sliding scale, what percentages do they use?
 - How do actual costs of agency service compare with the traditional 15 percent media commission?
 - How does the choice of compensation methods vary by size of advertising budget?
- 2. How often and with what effect do advertisers change agency compensation methods? (Chapter 2)**
 - How many have changed in the past three years?
 - Why do they change compensation methods?
 - What is the effect of the change on the cost of agency service and on agency performance?
- 3. How many advertisers guarantee the profits of their agencies or provide incentive compensation? (Chapter 3)**
 - How many advertisers guarantee agency profits, and how and why do they do it?
 - How many advertisers offer incentive compensation to their agency, and how and why do they do it?
 - What unique features are to be found in the compensation arrangements of advertisers?
- 4. What services do agencies provide advertisers; what billing practices do they follow; and how are advertiser fees administered? (Chapter 4)**
- 5. What business practices do compensation agreements include? (Chapter 5)**
 - How many advertisers have formal contracts with their agencies?
 - How many advertisers audit agencies' financial records as they pertain to the advertiser's account?
 - How long have agency compensation agreements been in effect?
 - How many agencies periodically review the profitability of the advertiser's account with the advertiser?
 - How are agency fees computed, to what extent are they reconciled with actual costs, and are they ever renegotiated?

6. What concerns do advertisers have about the general subject of advertising agency compensation? (Chapter 6)

About the Study

Method: Mail questionnaire to all A.N.A. Members Companies.

Questionnaire: See Appendix 1.

Previous A.N.A. studies of this topic: 1968, 1972, 1976, 1979, 1983, 1986, 1989.

Number of responses: 136 compensation agreements representing 642 advertising accounts/assignments.

Number of companies responding: 111 (some companies reported on more than one compensation agreement).

Member response rate: 46%

Response rate of top 50 advertisers who are A.N.A Members Companies: 50%

Estimated 1991 advertising expenditures of responding companies:
\$8,600,000,000

Responses by total advertising expenditures (percentage):

	<u>A.N.A. Membership</u>	<u>Study Respondents</u>
\$0-4 million	22%	22%
\$5-9 million	10%	11%
\$10-19 million	12%	13%
\$20-49 million	22%	24%
\$50-99 million	17%	17%
Over \$100 million	18%	13%

Key study dates:

Oct. 1, 1991	First questionnaire mailing
Oct. 31, 1991	Follow-up mailing
Nov. 4-15, 1991	Telephone follow-ups clarifying questionnaire answers
Nov. 22, 1991	Cut-off date for responses

Changes in the 1992 Study

The 1992 questionnaire was shortened slightly in order to simplify some aspects that had proved troublesome to respondents in 1989. In addition, questions about incentive compensation and advertiser guarantees of agency profits were expanded. Open-ended questions were added to help clarify responses in some instances, and the amount of space provided for all open-ended responses was also expanded to encourage completeness of response.

All of the key trend questions were presented in exactly the same form as in the 1989 and earlier studies.

The result is a report that is somewhat more focused on key issues in agency compensation than its predecessors. It is enriched by numerous advertiser quotations that have been carefully chosen to clarify the meaning of the statistics generated by the questionnaire.

The key data generated in the study are presented in computer-run form in the tables in Appendix 2.



EXECUTIVE SUMMARY

How Agencies Are Compensated

1. Thirty-three percent of the reporting advertisers use the traditional 15 percent media commission to compensate their advertising agencies. This is about the same as 1989 (35%) and below the levels of 1986 (43%) and 1983 (52%).
2. Thirty-two percent of the companies use a labor-based fee. More companies reported the use of a labor-based fee this year than in 1989 (24%); 1983 (30%) and 1983 (29%).
3. Reduced-rate commissions did not gain in popularity in 1992. Twenty-six percent of all advertisers reported using some form of reduced commission in 1992: 14 percent used a sliding scale and 12 percent used a flat rate below 15 percent.

Reduced-rate commissions were used by 29 percent of all advertisers in 1989 and by 24 percent in 1986.

4. The most widely used agency markup on other supplier invoices is 17.65 percent. Fifty-seven percent of the companies authorized the use of this markup in 1992, as did 55 percent in 1989.
5. The size of an advertiser's budget is an important determinant of the agency compensation method that it is likely to use.

Advertisers with annual budgets under \$10 million are likely to use either a labor-based fee (47%) or the traditional 15 percent media commission (36%).

Advertisers with annual budgets between \$10 million and \$49 million are also most likely to use either the labor-based fee (35%) or the traditional 15 percent media commission (31%).

Advertisers with budgets in excess of \$100 million are most likely to use either the sliding scale commission system (34%) or the traditional 15 percent media commission (29%).

Changes In Agency Compensation

1. Significant numbers of advertisers continue to seek an improved method of agency compensation by changing the system that they currently use. In 1992, 39 percent of all advertisers reported that they had changed their compensation system within the past three years. The figure was virtually the same in 1989 when 38 percent reported a change in system in the previous three years.
2. The advertisers who have changed within the past three years are now most likely to be using a labor-based fee (36%) or a commission below 15 percent (32%).

-
3. The major reason for changing agency compensation was to amend some perceived shortcoming in agency performance: to control or reduce cost of agency service (23%); to improve overall agency performance (21%); or to gain more understanding of agency costs (11%). In addition, 15 percent of the changes were designed to improve agency profitability.
 4. The net effect of these changes was to decrease agency compensation in 42 percent of the cases and to increase it in 32 percent of the cases. There was no significant change in compensation level in 19 percent of the cases.
 5. Changes in compensation resulted in a perception of poorer agency performance in only 2 percent of the cases.

Advertiser Concerns About Agency Compensation

1. Somewhat more advertisers (59%) expressed a concern about the general topic of agency compensation in 1992 than in 1989 (51%).
2. Advertiser concerns in 1992 reflected a broader range of issues than in 1989, as well as a more sophisticated understanding of the topic.
3. Advertisers believe, as they did in 1989, that agencies do not handle the compensation issue especially well. They perceive that agency accounting systems are too complex; that agencies are inattentive to cost management and cost control; and that agencies do not argue the case for advertising effectiveness especially well. Advertisers also expressed frustrations about the shortcomings of both the labor-based fee and commission systems of compensation, as they did in 1989.
4. New advertiser concerns in 1992 had to do with advertising agency profit difficulties and problems of agency service cutbacks because of declines in revenues. Advertisers also expressed concerns about incentive compensation both with respect to what an incentive system should accomplish and how a rational basis of reward could be developed.
5. All in all, advertiser concerns seem to have broadened in 1992 to include not only agencies and agency compensation systems but also a concern about advertisers' ability to deal effectively with advertiser-agency relations in view of unresolved compensation issues.

The 1992 study suggests that agency compensation is better characterized as an advertiser-agency relationship issue than as an issue of perfecting accounting mechanisms and procedures.

Additional Study Highlights

1. Thirteen percent of the advertisers report that their compensation agreements include some sort of an incentive compensation provision. They incent the agency to provide an improved or superior agency creative product; more cost efficient agency service; or both.
2. Fifteen percent of the advertisers report that their compensation system has one or more other features, not covered elsewhere in this study, that make it unique. Usually these "unique" features affect agency revenues or agency profits, or both, under certain specified circumstances.
3. As far as business practices are concerned, most advertisers (89%) have some sort of formal or written agreement with their agency covering both the relationship as a whole and including the provisions of the compensation agreement; many advertisers (69%) send auditors into their agency to examine financial records related to the advertiser's account; and, in sixty percent of the relationships, the agency reviews periodically the profitability of the advertiser's account with the advertiser.



CHAPTER 1

HOW ADVERTISERS COMPENSATE THEIR ADVERTISING AGENCIES

There are three basic systems of advertising agency compensation:

- The traditional 15 percent commission system
- Other commission compensation but typically less than a flat 15 percent
- Labor-based fees

In 1992, advertiser practice in compensating advertising agencies is divided among these three systems as follows:

Traditional media commission rate of 15 percent: 33%*

Media commission, not 15 percent: 26%

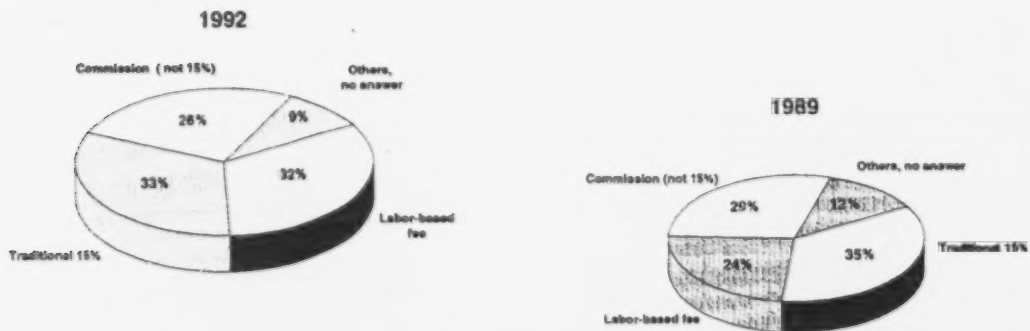
Labor-based fees: 32%

Other systems, no answer: 9%

Exhibit 1-1 illustrates these findings for 1992 and contrasts them with the findings for the 1989 study.

Exhibit 1-1

ADVERTISER PRACTICE IN COMPENSATING ADVERTISING AGENCIES



* As indicated, 33 percent of the responding companies reported that they paid the traditional 15 percent commission rate. In fact, 5 companies (3.7%) from this group reported paying a flat rate of above 15 percent. One of these companies had advertising billings of \$0-4 million; three had billings of \$5 million-\$9 million and one had billings in the \$20 million-\$49 million range. In 1989, no company reported a commission rate above 15 percent.

Trends In Agency Compensation Practices

Exhibit 1-2 shows long term trends in advertising agency compensation as revealed by this study and its predecessors in 1989, 1986 and 1983.

The decline in the use of the traditional media commission rate of fifteen percent seems to have slowed significantly:

<u>Percent of all Compensation Arrangements Based on the 15% Media Commission Rate</u>	
1983	52%
1986	43%
1989	35%
1992	33%

The use of labor-based fees has turned upwards since 1989, reaching, in 1992, the highest level reported in the four most recent A.N.A. studies:

<u>Percent of all Compensation Arrangements Using a Labor-Based Fee</u>	
1983	29%
1986	30%
1989	24%
1992	32%

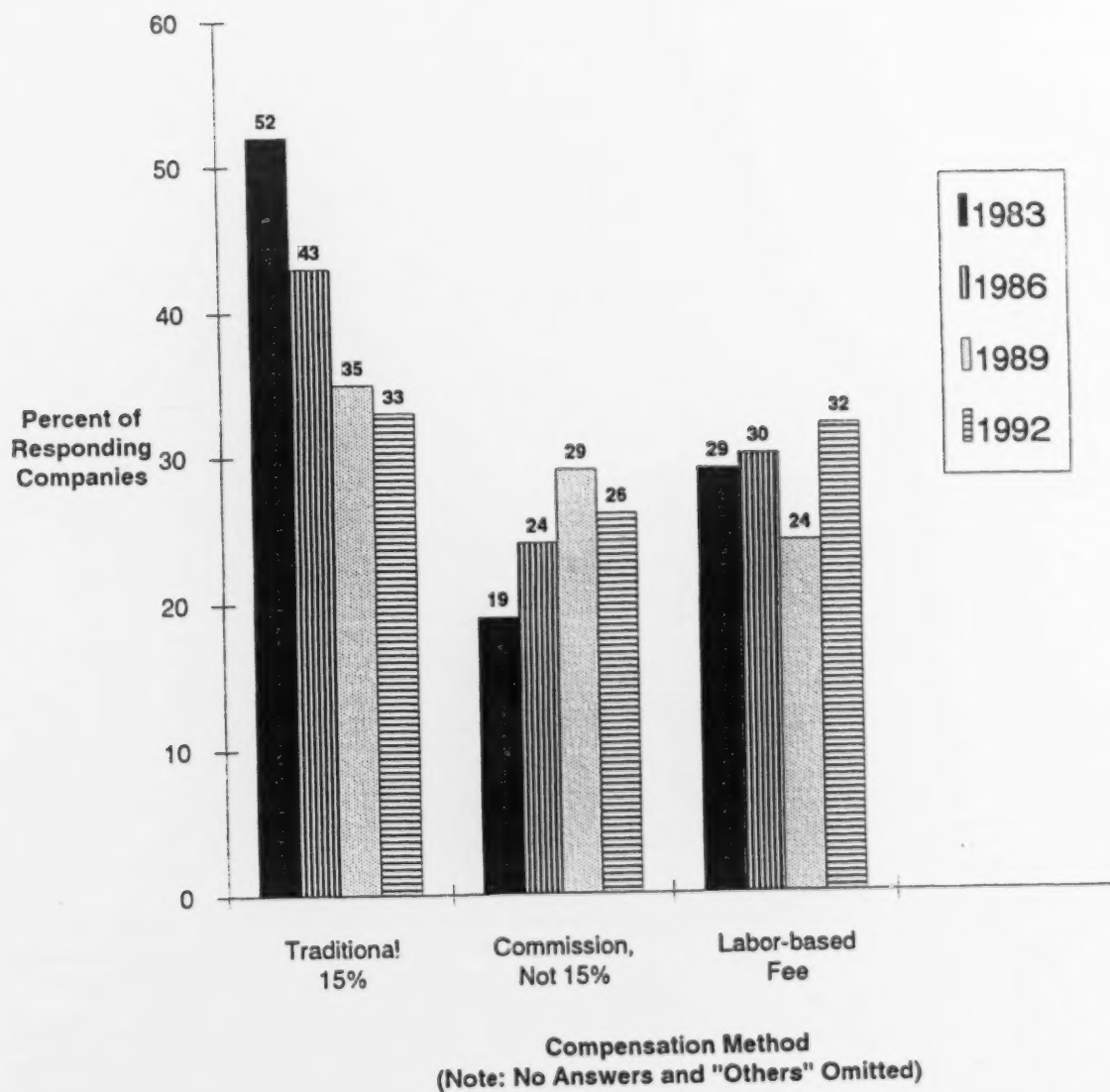
The growth in popularity of commission rates of less than 15 percent has stopped in 1992:

	<u>Percent of All Compensation Arrangements of Less Than 15%</u>	<u>Sliding Scales</u>	<u>Flat Rate</u>
1983	19%	N.A.	N.A.
1986	24%	12%	12%
1989	29%	18%	11%
1992	26%	14%	12%

In summary, it would appear that the mix of advertising agency compensation arrangements has settled down in the last three years. Trends and apparent trends either have not continued or have reversed themselves. If anything has changed, it is that labor-based fees have increased somewhat in the advertiser's favor, returning to a little above the previous high point of 30 percent in 1986.



Exhibit 1-2
TRENDS IN COMPENSATION PRACTICE



Comparisons With the Traditional 15 Percent Media Commission System

Advertisers that do not now use the traditional 15 percent media commission system were asked whether they periodically calculate the differences between what they pay their agency under their current system and what they would have paid under the traditional system.

Most of the companies (70%) that used either a labor-based fee or a reduced media commission rate do make such calculations. Among such companies, 20 percent pay more under their current agency compensation than they would under the traditional system; 67 percent pay less; and 7 percent report that there is little difference.

(See Appendix Table 2)

These response patterns do not differ significantly from those observed in 1989:

Calculation of Difference In Cost of Agency Service Between Traditional 15 Percent Media Commission and Alternative System

	<u>1989</u>	<u>1992</u>
Total companies using fee or reduced commission	86	79
Calculate the difference	81%	70%
Do not calculate the difference	17%	26%
No answer	2%	4%
Total companies calculating the difference	71	55
Agency compensation is		
Higher	17%	20%
Lower	70%	67%
Same	7%	9%
No answer	6%	4%

Of interest is the fact that a fee system may generate a higher level of agency compensation than the traditional 15 percent media commission. This was the case for about one-third of the 35 companies that use a fee in 1992 and calculate the difference between the fee they pay and what they would pay under the traditional 15 percent media commission. Of course, all of the companies using a commission rate lower than 15 percent paid their agencies less than they would have, had they used the traditional system of agency compensation.

Commissions of Less Than 15 Percent

Two distinct practices are used by advertisers who pay a media commission of less than 15 percent:

- Twelve percent of the responding companies compensate their agencies with a flat media commission rate of less than 15 percent.
- Fourteen percent of the companies use a sliding scale media commission rate.

Usually, (16 companies out of a total of 19) these sliding scales are cumulative: as billings increase, a lower commission rate is paid successively on all billings that exceed a particular scale level. For example, one packaged goods advertiser who spends a total of between \$50 million and \$99 million on advertising pays 14.5 percent on all billings up to \$35 million; 14 percent on billings between \$35 million and \$55 million, and 13.5 percent on all billings in excess of \$55 million.

Occasionally, (3 cases out of 19) the sliding scales are not cumulative; that is, the advertiser applies the final rate reached on the scale to all billings.

(See Appendix Table 1)

The following thirteen examples show various flat rates below 15 percent and sliding scale commission rates. What these examples do not reveal, of course, are the variations in advertising agency service that these advertisers receive under the commission rates that they use to compensate their agencies.

Examples of Flat Rate Commissions, Less Than 15 Percent

<u>Type of Company</u>	<u>Advertising Expenditures</u>	<u>Commission Rate</u>
Packaged goods	\$20 million-49 million	13.0%
Packaged goods	\$100 million+	11.0%
Consumer durables	\$20 million-49 million	13.2%
Consumer durables	\$100 million+	9.0%
Services	\$10 million-19 million	12.5%
Services	\$50 million-99 million	12.0%
Business-to-business	\$0-4 million	10.5%

Examples of Sliding Scale Commission Rates:

Cumulative Scales:

<u>Type of Company</u>	<u>Advertising Expenditures</u>	<u>Commission Rate</u>
Consumer durables	\$20-49 million	
	to \$10 million	15.0%
	\$10-20 million	12.5%
	\$20 million+	10.0%
Services	\$10-19 million	
	to \$8 million	15.0%
	\$8-16 million	13.0%
	\$16 million+	11.0%
Services	\$100 million +	
	to \$70 million	15.0%
	\$70-80 million	14.0%
	\$80-90 million	13.0%
	\$90 million +	12.0%
Packaged goods	\$20-49 million	
	to \$5 million	15.0%
	\$5-10 million	13.0%
	\$10 million +	11.0%
Packaged goods	\$100 million +	
	to \$50 million	15.0%
	\$50-100 million	10.0%
	\$100 million +	7.5%

Non-Cumulative Scales:

Consumer durables	\$50-99 million	
	to \$50 million	8.0%
	\$100 million	6.5%
Packaged goods	\$50-99 million	
	to \$10 million	15.0%
	\$25 million	14.0%
	\$50 million	13.0%
	\$50 million +	12.0%

Production Markups

Most of the advertisers (91%) who use a fixed commission rate permit their agencies to mark up production bills. (Nine percent of the advertisers who use a fixed commission did not respond to the production-markup question.)

The most common markup on production bills is 17.65 percent, used by 57 percent of these advertisers:

Production Markups Permitted By Fixed Commission Rate Advertisers

Less than 15 percent	15%
15 percent (not 17.65%)	17%
17.65 percent	57%
More than 17.65 percent	2%
No answer	9%

(See Appendix Table 3)

Among the 19 advertisers who use a sliding scale, ten included production expense in the sliding scale base and nine permitted their agencies to mark up production at a rate that was independent of the sliding scale.

(See Appendix Table 4)

Compensation Method By Size of Advertising Budget

The type of compensation arrangement used by an advertiser depends to an important degree upon the total amount of money that it spends to advertise, as Exhibit 1-3 and the following table show:

		Budget Size		
		Small	Medium	Large
		(Up to \$9 Million)	(\$10 to \$49 Million)	(Over \$50 Million)
Total				
Number of Companies	136	45	51	38 *
Media Commission (percentage):				
Traditional 15%	33%	36%	31%	29%
Fixed - less than 15%	12%	4%	16%	16%
Sliding scale	14%	-	12%	34%
Labor-based fee	32%	47%	35%	13%
No answer or other	9%	13%	6%	8%

* Two advertisers did not answer the budget size question.

Advertisers with small budgets (\$9 million or less) are most likely to use either the labor-based fee (47%) or the traditional 15 percent media commission (36%) in compensating their advertising agencies.

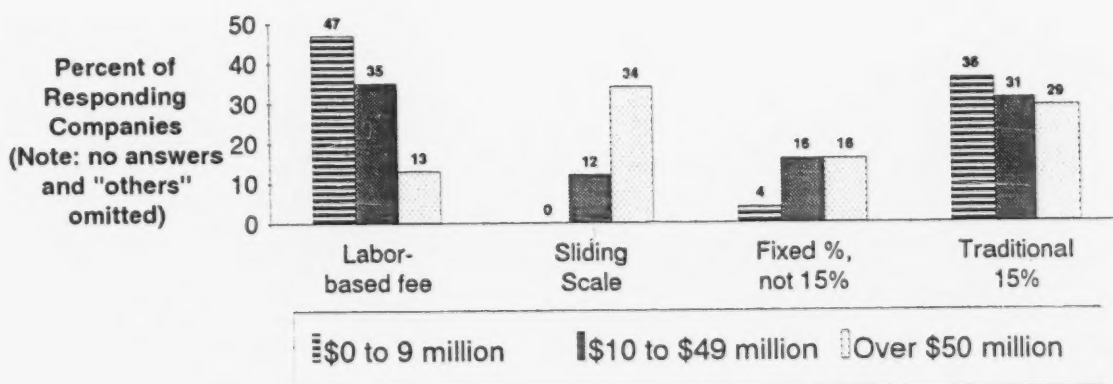
Advertisers with middle-range advertising budgets (\$20 million-\$49 million) use either the labor-based fee (35%) or the traditional 15 percent media commission system.

The largest advertisers (those with budgets in excess of \$50 million) are most likely to use some variation of the media commission system: traditional 15 percent (29%) or sliding scale (34%).

(See Appendix Table 1)



Exhibit 1-3
ADVERTISING APPROPRIATION SIZE
AND COMPENSATION METHODS



CHAPTER 2

CHANGES IN AGENCY COMPENSATION METHODS

Two out of every five (39%) of the advertisers in this study have made a significant change in the way in which they compensate their advertising agencies' compensation within the past three years. This is consistent with the pattern observed in 1989 when 38 percent of all reporting advertisers changed their compensation system in the three preceding years.

In 1992, unlike past years, there is not much difference between the pattern of companies that have changed and those that have not changed their agency compensation systems in the past three years:

	<u>Have Made A Change</u>	<u>Have Not Made A Change</u>
Overall Survey Respondents*	53 (39%)	82 (60%)

**One advertiser did not say whether a change had been made*

(See Appendix Table 5)

Compensation Method	<u>Changed To</u>	<u>Still Use</u>
Traditional 15% Commission	26%	38%
Fixed Commission - other than 15%	11%	11%
Commission on Sliding Scale	21%	10%
Labor-based fee	36%	30%
No answer	6%	11%

The companies that changed compensation methods in the past three years have tended to move away from the traditional 15 percent media commission and toward the other, less traditional methods of agency compensation. Of the companies that have changed in the past three years, 26% are now using the traditional 15% compared to 38% of those who have not changed. Thus, companies who changed compensation methods are less likely to be using the traditional 15% than those who have remained with the same agreement. Those who changed compensation methods are more likely to use the labor-based fee than those who have not changed (36% vs. 30%) and more likely to use a sliding scale (21% vs. 10%).

Why the Agency Compensation Methods Have Been Changed

Advertisers were asked to indicate the major reason for implementing the change in agency compensation. Three of the four most important reasons given for changing the method of compensation were related to some shortcoming in agency performance: either to control or reduce the costs of agency service (23%); to improve overall agency performance (21%); or to impose tighter controls or gain more understanding of agency costs (11%). In 15 percent of the cases, a change in the method of compensation was made to effect an improvement in agency profits. In four percent of the cases, the change was made to provide the agency with some sort of an incentive.

(See Appendix Table 6)

For example, the following comments were typical of those advertisers who changed their agency compensation agreements to control the cost of agency services or reduce advertising expense:

"To bring down commission, particularly in light of higher billings and more competition in the advertising community." (Consumer durables, \$20 million-\$49 million)

"We were being grossly overcharged." (Services, \$10 million-\$19 million)

"Budgets grew over the years plus trends changed, making a three-step 'downward' sliding scale more sound and contemporary." (Services, \$50 million-\$99 million)

Among the comments made by those companies that changed agency compensation to improve agency performance or to make the agency more responsive were these:

"To encourage the agency to be more productive and to commit to a long-term relation with the agency." (Packaged goods, \$50 million-\$99 million)

"Creative work was very 'creative' but not very effective." (Business-to-business, \$0-\$4 million)

"Wanted more creative development and more advanced broadcast production." (Services, \$0-\$4 million)

"The agency should not be compensated for poor creative work. Under the old system, the client paid for all creative work, whether on target or not." (Packaged goods, \$20 million-\$49 million)

Typical of comments from companies that wished to impose tighter controls over agency costs, to gain more explicit understanding of agency costs and profits, and/or to clarify negotiation issues, were the following:

(To achieve) "tighter controls and better accounting practices; clarity of expectation; and better productivity and efficiency." (Business-to-business, \$5 million-\$9 million)

"Accountability for agency staffing is simplified and negotiated with this arrangement." (Business-to-business, \$20 million-\$49 million)

"Tighter control from both client and agency point of view." (Consumer durables, \$10 million-\$19 million)

"Effort to rationalize agency profits." (Packaged goods, \$5 million-\$9 million)

Finally, companies that changed their compensation system to make their advertising agencies more profitable made comments like the following:

"Declining agency profitability. Also initiated joint client-agency committee to help control future agency cost increases." (Packaged goods, \$100 million or more)

"Reduced commissions (revenue) due to decreasing portion of budget spent on commissionable media." (Business-to-business, \$0 million-\$4 million)

"Agency profits suffered, especially after total client spending was reduced substantially." (Packaged goods, \$20 million-\$49 million)

Effect of Changed Compensation Method On Cost Of Agency Service

When advertisers were asked to describe the result of the change in agency compensation, they reported that the new compensation method produced an increase in agency revenue in 32 percent of the cases; a reduction in agency revenue in 43 percent of the cases; and no significant change in agency revenue in 19 percent of the cases.

(See Appendix Table 7)

The net result of changes in agency compensation arrangements in the past three years appears to have been somewhat more favorable to advertising agencies than were the changes reported in the 1989 study:

	Results of Changes In Agency Compensation	
	1989	1992
Increased agency compensation	22%	32%
Decreased agency compensation	47%	43%
No significant change	22%	19%
No answer	9%	6%

Effect of Changed Agency Compensation On Agency Performance

The net effect of changes in agency compensation on agency performance has either been an improvement (32%) or without effect (58%). Only 2 percent of the advertisers that changed the method of agency compensation reported that this change resulted in poorer performance by their agencies.

(See Appendix Table 7)

This is the same general result that was reported in the 1989 study:

	Results of Changes In Agency Compensation	
	1989	1992
Improved agency performance	33%	32%
Poorer agency performance	5%	2%
No change	41%	58%
No answer	21%	8%

✦ ✦ ✦

CHAPTER 3

AGENCY PROFIT GUARANTEES: INCENTIVE COMPENSATION ARRANGEMENTS AND OTHER UNUSUAL FEATURES IN AGENCY COMPENSATION PLANS

There has been much discussion in the advertising industry about compensation plans that not only provide for agency compensation but also go beyond a base or agreed level of compensation to provide the agency with some sort of profit guarantee, or with an incentive to reduce costs or provide superior work, or both.

In the 1992 study, the notion of agency profit guarantee was separated from the idea on incentive agency compensation for two basic reasons.

First, provisions for an agency profit guarantee are usually included in agency contracts for entirely different reasons than are provisions for incentive compensation. Profit guarantees protect agencies from unprofitable operations. Incentive arrangements are used to goad the agency to a more focused, superior level of performance.

Second, it was obvious in analyzing the 1989 study that the answers to a series of incentive compensation questions often confused incentive compensation with profit guarantees.

Agency Profit Guarantees

Agency profit guarantees are usually included in agency compensation agreements because the advertiser's account, under the existing compensation system, either has become unprofitable to the agency or promises to become unprofitable in the foreseeable future, at least under certain circumstances.

Agency profit shortfalls, or the prospect of them, usually come about either because client requirements for agency service have increased with no change in compensation method, or because agency revenues -- usually commission revenues -- have been reduced because of reduction in client advertising expenditures or other client retrenchments, with no change in agency service requirements.

Discussions about agency profitability are unlikely to arise under labor-based fee arrangements, especially if there is basic agreement between agency and client about agency service levels and about what effect their expansion or contraction will have upon the fee paid to the agency by the client. This characteristic of labor-based fee arrangements comes about because the charges for agency labor are usually constructed, in the first place, to include direct labor costs, health and welfare benefits, agency overhead and, importantly, agency profits.

Thus, under most fee arrangements, advertiser and agency have reached prior agreement about agency profits in the fee negotiation itself and the agency is not usually concerned about profit shortfalls, unless a dispute arises about the total labor hours that the agency must supply to service the account properly. Profit will become an issue, for example, if the fee agreement works out to mean that for whatever reason, the agency must provide more hours to service the account than the total hours for which it receives compensation under the fee agreement.

Commission systems are fundamentally different. Agency revenue depends upon commissions on advertising expenditures. The agency cannot directly control the client's level of advertising expenditures, nor abrupt downward shifts in their total. However, if advertising expenditures decline, especially if they decline precipitously, commissions fall and, unless the agency makes compensatory cuts in its labor costs by staff reduction, the commission shortfall will immediately and dramatically affect profits.

For example, if an agency is compensated by the traditional 15 percent media commission system and realizes an operating profit of 2.4 percent of billings on a \$10 million advertising account, its profits will fall precipitously if the account billings fall to \$8,500,000 in the following year and agency costs do not quickly respond.

	<u>Year 1</u>	<u>Year 2</u>
Agency billings	\$10 million	\$8.5 million
Agency commissions at 15%	\$1.5 million	\$1.275 million
Agency costs	\$1.26 million	\$1.26 million
Agency operating profits	\$240,000	\$15,000

Agency costs tend not to decline, at least in the short term, especially if the client requires the same level of agency service on the account when it bills \$8.5 million as when it bills \$10 million.

The issue of agency profit volatility is different in kind, therefore, from the issue of incentive compensation for agencies. Incentive compensation is supposedly awarded to motivate the agency to provide superior service of some sort: more effective creative work; lower cost, more efficient operations; or both.

The 1992 questionnaire asked, specifically, "Does your agency compensation agreement include a guarantee of profit?" Eighteen percent of all the advertisers said that their current agency compensation agreement included a profit guarantee. Among the 25 advertisers who gave this response, ten were commission advertisers, and, presumably, their agency compensation agreements did include some sort of a profit guarantee provision.

The advertisers were asked to describe the agency profit guarantee. Here are typical responses from commission advertisers:

"Safety net to avoid a loss position." (Consumer durables, \$100 million plus)

"There is a minimum commission per month regardless of media billings. However, given our media spending, it has never come into play." (Consumer durables, \$20 million-\$49 million)

"Yes -- 1 percent of total billings." (Consumer durables, \$10 million - \$19 million)

"We guarantee them a minimum of 17.65 percent markup on all direct and indirect expenses and a profit sharing arrangement when commissions expand the agency profit beyond 19 percent." (Packaged goods, \$20 million-\$49 million)

Some fee advertisers described systems with a built-in profit:

"Base compensation on recovery of mutually agreed direct costs, plus indirect costs at 140 percent of direct payroll, plus a profit of 20 percent of the base fee amount." (Business-to-business, \$20 million-\$49 million)

"An annual budget is agreed to that includes all expenses plus a 20 percent profit margin based on agency cost accounting system." (Services \$20 million-\$49 million)

"Profit is set at 20 percent above agency costs." (Packaged goods, \$50 million -99 million)

"Our agreement implicitly assures that agency profit is built into labor rates used." (Corporate advertising, \$20 million-\$49 million)

The remaining 15 respondents were fee advertisers who, presumably, realized that agency profits are built into labor-based cost-plus agreements and/or had some sort of a billings related system to protect the level of final agency profits under the fee agreement. Meanwhile, there were 28 other fee advertisers who said that their fee arrangements with their agencies did not include a profit guarantee. This result means either that these fee agreements do not include some kind of provision for agency profits (which is, to say the least, unlikely) or that the respondents did not realize that the fee agreement with their agencies did indeed include a provision for profits.

(See Appendix Table 8)

Incentive Compensation for Advertising Agencies

Following the question about profit guarantees, the 1992 questionnaire asked "Does your agency compensation agreement include incentive compensation payments?" Thirteen percent of the advertisers answered this question "yes." In 1989, the comparable percentage was 1.2 percent for advertisers that had a genuine incentive compensation provision, as opposed to a guarantee of profits.

Implicit in an incentive compensation arrangement is some sort of objective or goal that the agency must exceed to earn incentive compensation. These goals can be either objective or subjective or a combination of both. Of the 118 advertisers in this study that have an incentive compensation arrangement with their agencies, six use objective goals only; three use subjective goals only; and five use a combination of both. (Two flat rate media commission advertisers did not describe a formal incentive system but said that the incentive for their agencies was to create advertising that was successful enough to drive advertising expenditures above the level budgeted for the year. The remaining two advertisers responded to the question but did not describe the nature of the goals established for the incentive system.)

(See Appendix Table 9)

The respondents were asked to provide a verbal description of the goals set up under their incentive compensation system. Typical responses from advertisers who depend solely upon objective goals include the following:

"The agency receives a percentage bonus tied to our company's attainment of annual profit, sales or share goals as measured in executive SOP's (share of profits). This is determined annually based on the company's priorities (share vs. sales vs. profits)." (Packaged goods, \$10 million-\$19 million)

"Combination of financial (50%) and program (50%) objectives. Financial based on earnings target and shared with agency management. Program objectives based on objective assessment of creative input on key projects and may also include SOM (share of market) or cost initiative targets." (Packaged goods, over \$100 million)

Respondents who depend upon subjective evaluations of agency performance in determining incentive compensation awards said things like this:

"Incentive compensation payment is based on subjective evaluation of agency by management (one-on-one interviews assess agency performance by discipline of task). Each discipline -- e.g. creative, media -- is weighted separately. Performance of each is evaluated separately." (Business-to-business, \$20 million-\$49 million)

Respondents who depend upon a mix of objective and subjective assessments of agency performance made statements like the following:

"Some business units use share or sales or a compilation of pre-agreed, more subjective factors." (Services, over \$100 million)

"Annual performance review by brand people; sales increases; awareness measures." (Services, \$50 million-\$99 million)

"Business unit profitability. Service review. Creative review." (Packaged goods, \$50 million-\$99 million)

(See Appendix Table 10)

Advertisers were then asked, "Does the incentive program provide for different levels of incentive award for different levels of agency performance?"

Thirteen of the companies that report using an incentive compensation system said that incentive awards are set at different levels depending upon the performance of the agency relative to goals.

Only one of these companies stated that the incentive award system has both positive and negative incentive awards. That is, under this system, the agency earns an incentive award if it exceeds goals, but it rebates compensation if it falls below a certain level of performance, relative to goals.

(See Appendix Table 11)

Next, the advertisers were asked, "What must the agency do to earn the different award levels?" Fourteen of the eighteen companies that utilize incentive award systems answered this question and all of them said, in one way or another, that the agency must beat or exceed whatever goals or objectives have been established by the incentive system.

(See Appendix Table 12)

Typical responses included the following:

"Brand shares meet or exceed plan objectives. Incentive payment increases with variants in share over achievement relative to plan." (Packaged goods, \$5 million-\$9 million)

"The levels are tied to our corporate performance. They must simply be our partners in developing effective business plans, media and creative strategy." (Packaged goods, \$10 million-\$19 million)

"Agency fee calculated at 90 percent of agreed fee base. Remaining 10 percent used as a basis for incentive compensation. Payment based on subjective evaluation of agency by management." (Business-to-business, \$20 million-\$49 million)

(Do) "a great job!" (Services, over \$100 million)

Next, advertisers were asked, "When you initiated the incentive compensation system, was the historical level of agency compensation reduced?"

Of the 18 respondents who reported an incentive compensation system, six say that, when the incentive system was introduced, the historic level of agency compensation was reduced, while 11 say that the historic level of agency compensation was increased. (One of these respondents answered, "Don't know.")

(See Appendix Table 13)

Other Features That Make The Compensation System Unique

In the 1992 study, responding advertisers were asked, "Does your compensation system have any other features that make it unique?" Fifteen percent of the advertisers report that their agency compensation system had other features not reported elsewhere in the questionnaire that make it unique. Most of these 20 respondents either compensate their agencies through a traditional 15 percent media commission (6) or use a labor-based fee (8).

(See Appendix Table 14)

Some of the "unique" features mentioned were these:

For media commission advertisers:

"Commission rate on billings in excess of agency's prior year total billings is decreased by one percent. Agency is required to make expenditures in each calendar year from agency funds for marketing research purposes at a rate of not less than 0.67 percent of the account's gross commissionable billings." (Consumer durables, \$20 million-\$49 million)

"A cap on profits of 21.99 percent. Between 19 percent and 21.99 percent, one half refunded to client. Over 22 percent, full 100 percent refunded to client." (Corporate, \$5 million-\$9 million)

"Less than 15 percent gross on certain media categories (network, syndication, cable). Fifteen percent on net production." (Packaged goods, over \$100 million)

"Guaranteed income from outset for work on new brands and major flankers." (Packaged goods, over \$100 million)

And, typical comments from fee advertisers included:

"We pay up to \$24,000 per year to reimburse our agency for certain direct, unbilled costs - computer systems, postage, phone calls, etc. This payment is designed to increase agency profit. Certain unbilled expenses are not covered, such as entertainment, unauthorized travel, agency errors and spec work on new business." (Corporate, \$5 million-\$9 million)

"We guarantee payment within ten days." (Services, \$0-\$4 million)

"The fee is pegged. The fee is negotiated at the beginning of the year and it is capped at that amount. (Packaged goods, \$20 million-\$49 million)



CHAPTER 4

AGENCY SERVICES AND BILLING PRACTICES

Each advertiser respondent was presented in the questionnaire with a list of fourteen services that are customarily supplied by either general or specialized advertising agencies. The respondents were then asked, for each of the services, first whether it was supplied in the agency relation and, second, whether it was covered by the compensation arrangement.

The agency services included in this question were:

- Account service/counsel and analysis
- Creative work
- Media planning
- Media buying
- Agency-of-record
- Broadcast program development
- Advertising production
- Sales promotion
- Public relations
- Direct response advertising
- New product development
- Marketing and advertising research
- Ethnic/minority advertising
- Yellow pages

The responses to these questions are visually summarized in Exhibit 4-1.

Services That Are Usually Supplied By The Agency

Five traditional advertising agency services are mostly supplied to advertisers responding in this study by their agencies and are usually covered by the compensation agreement described by these respondents. The five services are:

	<u>Supplied By Agency</u>	<u>Covered In Compensation Agreement</u>
Account service/counsel	98%	97%
Creative work	98%	96%
Advertising production	95%	89%
Media planning	94%	91%
Media buying	87%	82%

In addition, there are four services that are supplied by the agency in at least 40 percent of the reported relationships, as shown in the table below:

	<u>Supplied By Agency</u>	<u>Covered In Compensation Agreement</u>
Marketing and advertising research	69%	53%
Agency-of-record	55%	50%
Ethnic & minority advertising	47%	43%
Sales promotion	42%	29%

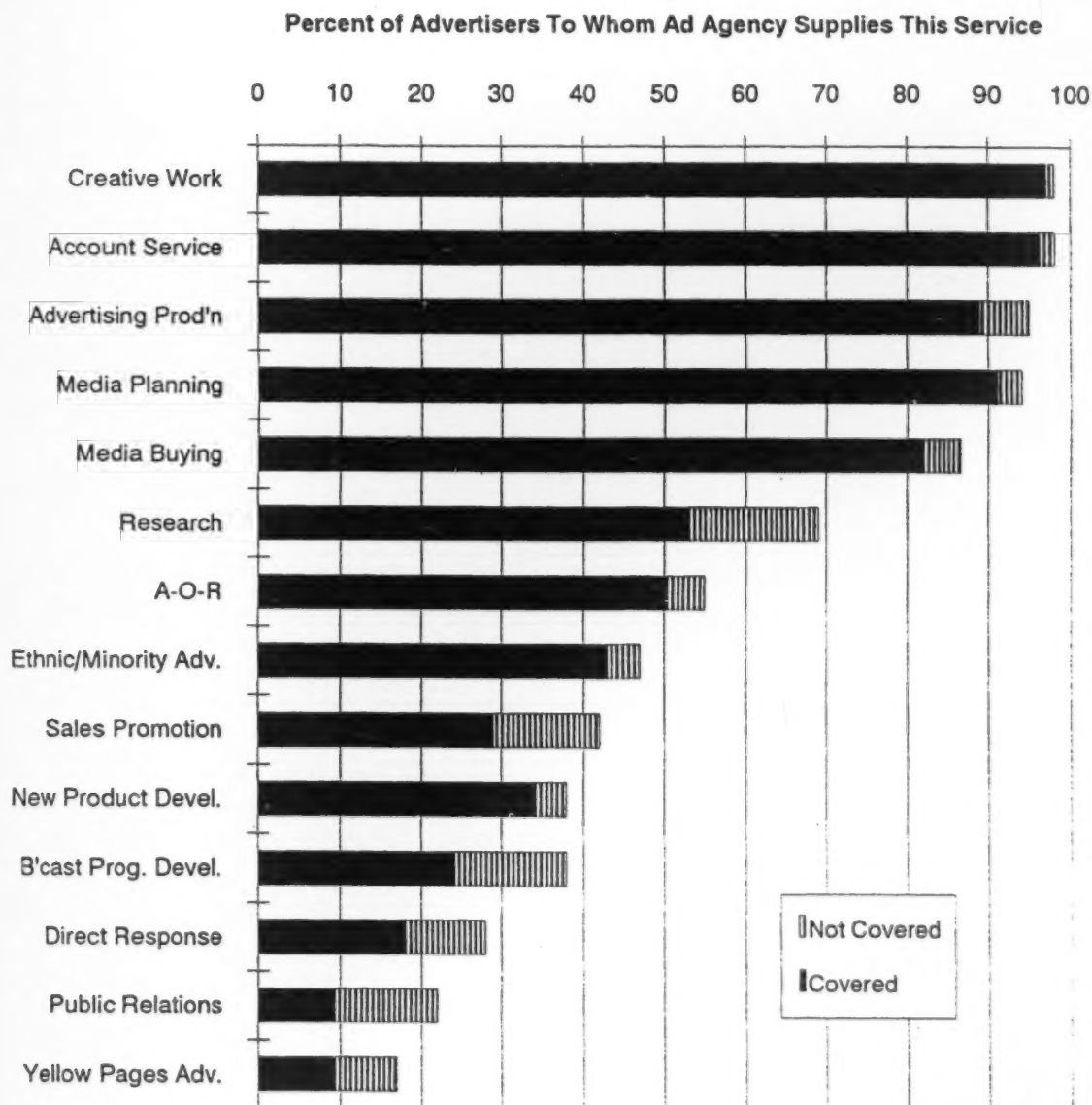
Separate compensation agreements were more common for sales promotion and ethnic & minority advertising than for agency-of-record and research.

Finally there were a group of agency services that were supplied by the agency in fewer than four instances out of ten. These included:

	<u>Supplied By Agency</u>	<u>Covered In Compensation Agreement</u>
Broadcast program development	38%	34%
New product development	38%	24%
Direct response advertising	28%	18%
Public relations	22%	9%
Yellow pages	17%	9%

Separate compensation agreements are much more common for these services when they are supplied by the advertising agency and especially for new product development, direct response advertising, public relations and yellow pages.

Exhibit 4-1
SERVICES SUPPLIED BY AGENCIES COVERED OR NOT
COVERED BY COMPENSATION AGREEMENT



Agency Billing Practices

Advertisers were asked, for each of seven expense items, how their agency billed for them. The items included:

- Agency travel required by client
- Client entertainment
- Media measurement services
- Unauthorized work initiated by agency
- Free-lance professional help
- Out-of-pocket research costs
- State and local taxes

The advertiser respondents were asked whether these expenses were billed to the client or absorbed by the agency. If they were billed to the client, they were asked whether the agency billed net or marked them up.

(See Appendix Table 16)

The results are presented visually in Exhibit 4-2.

There is a wide variation in the way these expense items are billed. At one extreme, most (80%) advertisers reimburse their agencies for travel expense when authorized by the advertiser, and these expenses are usually billed net. At the other extreme, virtually no advertisers (6%) reimburse their agency for unauthorized work that is initiated by the agency.

Between these extremes, as the following table illustrates, there is considerable variation in practice in the handling of specific agency costs. (The totals do not always add to 100 percent because some advertisers gave multiple answers and others did not answer.)

	Billed to Advertiser			Absorbed By Agency
	Total	Billed Net	Marked Up	
Agency travel required by client	80%	73%	7%	23%
Out-of-pocket research cost	77%	51%	26%	17%
State & local taxes	69%	68%	1%	11%
Free-lance professional help	54%	26%	28%	30%
Media measurement services	36%	26%	10%	49%
Client entertainment	22%	20%	2%	71%
Unauthorized work initiated by agency	6%	4%	2%	85%

Out-of-pocket research costs are reimbursed by 77 percent of advertisers and are more often billed net (51 %) than marked up (26%).

State and local taxes are usually reimbursed (69%) and are almost always billed net (68%).

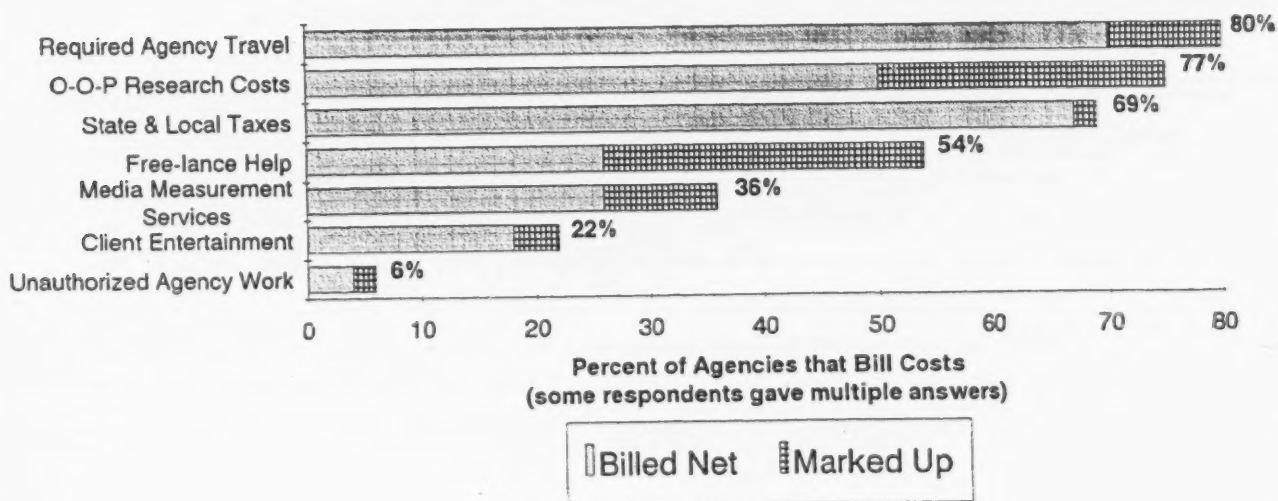
Free-lance professional help is about as likely to be reimbursed as not (54%), and is as likely to be billed net (26%) as marked up (28%).

Media measurement services are reimbursed in about one-third of the agreements (36%) and are mostly billed net (26%).

Client entertainment is reimbursed in 22 percent of the agreements and is almost always billed net (20%).



Exhibit 4-2
HOW SEVEN AGENCY COSTS ARE BILLED



CHAPTER 5

CHARACTERISTICS OF AGREEMENTS BETWEEN ADVERTISERS AND AGENCIES

The questionnaire included several questions about the nature and degree of formality of the agreements that exist between advertisers and their agencies. The responses to these questions are summarized in this chapter.

Formal Agreements and Their Terms

Most agency compensation plans (89%) have been formalized in a written contract or memorandum of agreement between the advertiser and the agency. This is the same percentage of advertisers who reported a formal contract or memorandum of agreement in both the 1986 and 1989 A.N.A. studies of advertiser practices in compensating agencies.

All of the advertisers who reported a formal contract or memorandum of agreement were then asked to report the term of the agreement, if a term were specified in the contract. In about one quarter of the agreements (26%), the term is specified as one year. In an additional 9 percent of the agreements, there is a term specified longer than one year. About the same total number of agreements (37%) do not specify a term; they are, in effect, "evergreen" agreements.

About a third of the advertisers (35%) who described the term of their agreement also said that it contained a specified notice-of-termination period.

(See Appendix Table 17)

Audit of Agency Financial Records

Advertisers were asked, "Does your company send auditors to your agency (or agencies) to examine financial records pertaining to your account?"

Many companies (69%) do send auditors to their agencies to examine those records that apply to the advertiser's account. In the 1989 study, 67 percent of the compensation agreements specified that advertisers could perform such audits.

Among those advertisers that do audit their agencies' records, 28 percent do it annually; 38 percent do it regularly, but at intervals that are less frequent than one year; or they audit the agencies irregularly.

The audits themselves are usually conducted by the companies' own internal auditors (60%). Sometimes (17%) the audits are conducted by advertiser finance, advertising or marketing personnel. In a few instances (5%), public accountants are retained to undertake the audits.

(See Appendix Table 18)

How Long Agency Compensation Agreements Have Been In Effect

The advertisers were asked how long their current agency compensation agreement had been in effect. Most of the agreements (60%) have been in effect for less than four years, and 38 percent of the agreement have been in effect for four years or more. (Two percent of the respondents did not answer this question.) In 1989, 54 percent of the agreements had been in effect for less than three years.

Advertisers who depend upon the traditional 15 percent media commission are more likely to have had a compensation agreement in place for four years or longer (48%) than are those advertisers who use a flat media commission rate of less than 15 percent (2%); or a sliding scale (14%); or a labor-based fee (27%).

Agency Review of Account Profitability With Advertiser

The advertisers who responded in this study were asked whether their advertising agency reviews with them data on the profitability of their advertising account. Three out of five of the advertisers (60%) report that their agencies review the profitability of their account with them. The comparable figure in 1989 was 65 percent.

Advertisers who use the traditional 15 percent media commission system are less likely (50%) to be provided with such reviews of agency profitability than are advertisers who utilize a flat commission of under 15 percent (75%), or a labor-based fee (61%).

In the case of advertisers whose agencies do not review account profitability (37%), 25 percent say they have never asked for such information; six percent say they have asked but have not, presumably, gotten it; and six percent did not answer the question.

(See Appendix Table 20)

Fee Charges By Advertising Agencies

Advertising agencies charge fees under two sets of circumstances:

- A single, comprehensive, labor-based fee for all services. As we have seen, such comprehensive fees are used by 32 percent of all advertisers in 1992 as a basis for agency compensation.
- In addition, commission advertisers may pay separately negotiated fees for special projects or activities like new product development or consumer research that are not covered by commissions from media. In 1992, 50 percent of the advertisers who compensated their agencies through some sort of commission arrangement also reported paying supplemental fees for project work.

Both groups of advertisers were asked how the fees that they pay their agencies are developed or estimated by the agency. As the following table summarizes, most of the fees paid to agencies are computed by estimating the cost of direct labor and marking this cost up by overhead and profit factors:

Basis of Agency Fee Computations

	<u>Fee For Account</u>	<u>Fee For Projects*</u>
Number of companies	44	40
Prior estimate of labor cost plus markups	75%	63%
Cost plus	2%	13%
Fixed fee, no cost detail	20%	8%
No answer, others	2%	23%

** Some respondents gave more than one answer*

(See Appendix Table 21)

Advertisers were next asked whether the fees actually paid to the agencies were subsequently reconciled with the agencies' actual cost. As the following table shows, some advertisers require fee reconciliation and others do not:

Are Fees and Costs Formally Reconciled?

	<u>Fee For Account</u>	<u>Fee For Projects*</u>
Number of companies	44	40
Fees reconciled with costs	39%	45%
Fees not reconciled with costs	61%	48%
No answer	-	8%

** Some respondents gave more than one answer*

(See Appendix Table 22)

Finally, advertisers were asked if the agreed-to fees were ever renegotiated under unusual circumstances. The following table shows that the general practice is to permit renegotiation of fees when circumstances warrant.

The Renegotiation of Fees When Circumstances Warrant

	<u>Fee For Account</u>	<u>Fee For Projects</u>
Number of companies	44	40
Allow renegotiation	91%	85%
Do not allow renegotiation	5%	5%
Don't Know, No answer	4%	11%

(See Appendix Table 23)



CHAPTER 6

ADVERTISER CONCERNS ABOUT CURRENT AGENCY COMPENSATION PRACTICES

At the very end of the questionnaire, each advertiser was asked to respond to what was characterized as "a most important final question: What general or specific concerns do you have about current agency compensation practices?"

Fifty-nine percent of the advertiser respondents expressed a general or specific concern in response to this question. The comparable response in 1989 was 51 percent.

In 1992, the expressed concerns tended to focus on four specific areas: concerns relating to advertising agencies and the cost of agency service (expressed by 27 percent of all respondents); concerns relating to advertiser practices in respect to agency compensation (19 percent of all respondents); concerns about particular systems of advertising agency compensation (18 percent of all respondents); and concerns relating to incentive compensation systems for agencies (17 percent of all respondents.) All told, each advertiser respondent expressed slightly more than two concerns (2.16) about agency compensation.

Concerns Relating to the Cost of Advertising Agency Service

About one quarter of all advertisers (27%) expressed a concern of one kind or another about how much advertising agency service costs. Some advertisers were annoyed and perplexed by the complexity of advertising agency internal accounting procedures and practices for the determination of direct labor, overhead and profit and their relation to agency cost control.

"We are concerned about finding the appropriate balance between understanding agency cost pressures (and assisting with cost containment) and interfering with internal agency and financial management. Clearly, this 'cost containment confidence' in the agency is the key to accepting the need for future commission adjustments." (Packaged goods, over \$100 million)

"As a client, I don't want to pay for ineffective cost control at the agency." (Corporate, \$5 million-\$9 million)

"Our agency has not provided accurate cost information. We had to closely examine agency records to determine actual costs. For example, our agency used their upper limit for profit sharing as actual profit sharing costs, thereby overstating costs. Also, there were time-reporting inaccuracies. Direct unbilled expenses were overstated." (Services, \$0-\$4 million)

"We do not have the ability to ascertain the agency cost base so that fair base profit can be calculated." (Packaged goods, over \$100 million)

"Complexity. I believe agency cost accounting can be simplified yet still be fair." (Packaged goods, over \$100 million)

"When agencies become less mysterious and more 'aboveboard' about their time costs, only then can the industry set about the task of determining fair profit margins plus added incentives. Two agencies should not be paid the same if one produces clearly better results than the other. There should be a better way." (Services, \$50 million-\$99 million)

Some advertisers are specifically concerned about how agency profits are calculated:

"Our management is confused as to agency profit and how it is calculated. If agencies had a standard (generally accepted) method as to calculation of profit, then better compensation systems could be created." (Packaged goods, \$30 million-\$99 million)

"We need guidelines on acceptable profit ranges." (Business-to-business, \$5 million-\$9 million)

"How does a client judge about a fair agency profit? Particularly for difficult budgets, types of work, etc?" (Services, \$5 million-\$9 million)

"Any compensation plan based on a percentage -- 15 percent, 12 percent, sliding scale or whatever -- will be a poor approach, no matter what. An agency is entitled to a fair return or profit, but I'm not the one to decide that level. Unfortunately, many agencies will not share their time costs of serving an account so a profit margin cannot be determined." (Services, \$50 million-\$99 million)

Some advertisers expressed concerns about what they perceive as an agency inability or unwillingness to manage and contain their costs:

"We are concerned about the ability of the agency to control expenses -- direct, indirect, overhead, etc. -- since this influences level of agency profitability on which our compensation system is based." (Consumer durables, \$10 million-\$19 million)

"Agency markup of production costs can, at times, appear in conflict with cost-saving measures and more efficient production. There is really no incentive to watch costs except client pressures." (Packaged goods, \$10 million-\$19 million)

"Because our system is dependent on agency's accounting for direct and overhead costs, are we being charged fair and equitable rates? Because our system is dependent on agency costs, is the agency overstaffing or utilizing too rich a mix of senior/highly compensated talent for the various needs of the business?" (Packaged goods, over \$100 million)

"With agencies cutting their costs, they often replace senior creative types with less experienced, less expensive and sometimes less talented personnel. However, the agency cost-cutting doesn't always result in lower client costs. In fact, the opposite may be true." (Corporate, \$0-\$4 million)

"Agencies are billing clients indirectly for overhead that does not provide specific benefit for the client. Clients should only have to pay for what they use, and not subsidize work for other clients. Agencies must learn to be internally more efficient -- it does not have to compromise agency work." (Packaged goods, \$20 million-\$49 million)

Some advertisers are concerned that advertising agencies have not established or documented the value of advertising as an investment and/or the value of advertising agency service:

"Compensation for 'soft' services in a 'soft' industry can be hard to justify and explain. Ad agencies need to do a better job of providing information and data on the value of advertising dollars spent: ROI. Agencies need to do more research to validate their position, programs and tactics to justify their compensation." (Business-to-business, \$5 million-\$9 million)

"As the end of the century arrives, there is a question as to whether full service agencies recognize the potential of leading advertisers' strategies through complete, inclusive communications recommendations or lose out little by little to small specialty shops who can articulate costs and resultant values." (Packaged goods, \$20 million-\$49 million)

"We continue to struggle with establishing a financial value for all the agency's creative work. The advertising is to maintain the image of a huge, well established conglomerate. We use judgment rather than research to select creative. Marketplace effectiveness is extremely hard to measure. Tracking studies show the company's image remains at very high levels but we do not know whether this is due to advertising or not. Senior management is skeptical of the 'real' value of advertising and tends to reduce budgets over the long haul." (Corporate, \$20 million-\$40 million)

Some advertisers simply complained that their agencies were overcharging them, or making excessive profits on their account:

"We are concerned about the possibility of the agency making excessive or windfall profits as a function of billings rather than its own performance or service." (Consumer durables, \$20 million-\$49 million)

"I still worry that since the agency doesn't show us a financial statement for the account, that profit levels are too high. While the agency deserves a 'fair' profit, the return should be kept within the profit levels of successful companies in other industries." (Services, \$50 million-\$99 million)

"Is the current arrangement still fair to both parties? Over time is more or less compensation going to pay for quality of service versus profits to the owners?" (Packaged goods, \$5 million-\$9 million)

"My agency complains that it is not paid enough but does not give me specifics despite my requests. We feel commissions are inherently unfair to both parties, and prefer fee-based compensation. Other than arguing about bills, I don't know how to encourage efficient work at the agency, because I suspect there's too much fat in the hourly charges." (Services, \$0-\$4 million)

Finally, some advertisers are concerned that agencies want new and/or higher fees for non-advertising-related services:

"Agencies may appear to be more expensive as services previously covered under commission arrangements need to be explicitly paid for by fees or hourly rates." (Business-to-business, \$0-\$4 million)

"I'm concerned that we must raise additional fees to obtain needed advertising services that our agencies cannot completely provide, primarily in the areas of sales promotion and direct marketing." (Packaged goods, \$5 million-\$9 million)

Concerns Relating To Advertiser Practices In Compensating Agencies

Some advertisers believe that advertisers' practices contribute to agency compensation problems. For example, some advertisers believe that all advertisers should be concerned about the profitability of their accounts to the agencies that handle them -- that the best interest of the advertiser is served when its agency is comfortably profitable:

"Agency compensation is being cut too thin. It is becoming much more difficult for agencies to make a fair and reasonable profit." (Business-to-business, \$0-\$4 million)

"Whether compensation is adequate to ensure the account is profitable to the agency. Whether compensation practice supports assignment of best qualified personnel to the account." (Packaged goods, \$50 million-\$99 million)

"That the agency is being paid enough to be motivated and that we are getting good value for the dollars." (Consumer durables, \$0-\$4 million)

"I am concerned about overall agency profitability caused by the following factors: New product concept and advertising work is often lengthy with no compensation and no billing. Products that are not ultimately pursued are a total loss. Commitments to corporate, again non-billing, groups is a major highly visible activity and time consuming. The combination causes severe financial pressure on the agency profit-line in spite of respectable billings for ongoing brands." (Packaged goods, \$50 million-\$99 million)

Other advertisers express the view that advertisers are at fault in not learning how to maintain the quality of their agency's services as the agencies emphasize the cutting of costs:

"Clients are too frequently focused on cutting costs rather than providing agencies with a reasonable return for their work. This can, over time, limit agency resources and the quality of the agency's contribution." (Packaged goods, over \$100 million)

"We are quite satisfied with our agreements with our agencies. The key is making certain that the services required are provided by the agency and warrant the compensation. If they don't, then the client is at fault." (Services, \$20 million-\$49 million)

And, some advertisers believe that it is their responsibility to protect agencies, especially when the compensation is commission-based, against severe profit declines when billings are cut:

"I'm concerned about the protection of the agency revenue from budget fluctuations. In periods such as this, our work load remains constant, calling for higher levels of agency staffing, but less money is spent in media advertising. With reduced commissions, the agency's profit margins begin to erode which can seriously impact agency performance and our return on advertising dollars." (Business-to-business, \$20 million-\$49 million)

"With declining media dollars, getting the best creative and media talent on our business." (Packaged goods, \$10 million-\$19 million)

"Does the compensation system allow agencies to earn a fair profit? And, are agencies able to respond quickly to income reduction related to client's budget cuts: protect profits and maintain appropriate levels of service?" (Packaged goods, over \$100 million)

But, not all advertisers are as concerned about ameliorating problems in advertising agency profitability as the foregoing quotations might suggest. One especially outspoken advertiser had this to say:

"I do not understand the fuss about advertisers having to watch out for their agency's profitability. I can think of no other example in the open market where the supplier's profitability is of concern to the customer. I believe that agencies have permitted themselves to become outmoded structurally and their lack of self-interested initiative to recast themselves to meet advertisers' changing demands and needs has done more damage than changing commission rates. The fact that agencies need to be motivated by compensation agreements is something short of astonishing. What is their reason for being? To self-congratulate or to provide the strongest recommendations that will have a positive impact upon a client's business? If an agency needs to be 'motivated' maybe it should rethink being in the business. You either commit to sustained service levels or you vacate the area." (Services, \$20 million-\$49 million)

Some advertisers are concerned that too many organizations are too obsessed with cutting their advertising costs by squeezing the profits of advertising agencies to the detriment of the advertising process:

"As a result of clients seeking to reduce costs (by cutting commissions/fees), agencies are cutting back on services and quality of people. Account and media services are two that seem to be hit hardest." (Packaged goods, \$50 million-\$99 million)

"I believe that clients are trying to squeeze a lot from agency profits but still expect the same service support they received at the 15 percent commission level. The agencies, in turn, are reducing the service they are giving clients in order to be profitable. The public agencies are especially aware of the profit demands. This results in clients' conflict of perceptions of agencies' ability to handle the account properly. We believe an agency should make a fair profit, and if we are unprofitable to an agency we will reconcile accordingly. Clients are also using agencies in a different manner -- less strategically -- therefore they do not value their contributions as much as they did in the past. I believe it is a vicious cycle and will only damage the agency business and the type of people the business will attract in the future. In tying agency compensation more closely to company performance, we may be perpetuating the short term business view that is too prevalent today." (Business-to-business, \$20 million-\$49 million)

"If agencies are continuously squeezed to lower costs, then services will continue to deteriorate. This, in effect, will snowball, providing less and less professional service to clients who often need to turn their business around through effective advertising." (Services, \$10 million-\$19 million)

"In recent years, our actions have been to significantly reduce payments to the agency. This has been driven by the overall push to reduce costs and the recognition that everyone else is getting off the traditional commission system. No one can truly measure the agency's contribution so we undervalue it and cut it whenever things get tough." (Corporate, \$20 million-\$49 million)

General Concerns About Compensation Systems

Some advertisers focus on the shortcomings of individual compensation systems rather than on the shortcomings in agency or advertiser organizations. Some, for example, point to shortcomings in the commission system:

"With commission-based contracts for both media and production, it makes me nervous that the higher the production costs or the more spent on media, the greater the agency income or profits." (Corporate, \$5 million-\$9 million)

"Commission based systems are unequal. Big brands pay for smaller, etc." (Packaged goods, \$50 million-\$99 million)

"We are considering a minimum and maximum agency operating profit based on commissions to protect the agency on the down side and provide the advertiser with an opportunity to share in commissions on the high side." (Consumer durable/business-to-business, \$20 million-\$49 million)

"The commission system encourages excessive media schedules to the disadvantage of the advertiser. The agency, on the other hand, is at a disadvantage if media schedules are reduced. In either case, the compensation does not reflect the amount of work being done." (Packaged goods, \$20 million-\$49 million)

"I am concerned that media-based commissions represent an inherent conflict of interest. How can an agency accept double-digit inflation for GRPs when ratings continue to erode? The advertiser's interests and the agency's fiduciary responsibilities are not being met by current practices." (Services, \$20 million-\$49 million)

Other advertisers express discontent with certain features of labor-based fees:

"Since next year's fee is, in part, determined by last year's hours spent servicing the business, there is always a nagging question of how do they assign hours to our business when they don't know exactly where they should fit. Annual audits assume accurate time sheets are completed and the agency's accounting firm assures us that the hourly rates are accurate, so the only 'loose' variable is, are the hours assigned to us truly ours?" (Packaged goods, \$10 million-\$19 million)

"One agency used a 1,600 hour-factor divided into annual salaries to determine an annual cost per employee which was multiplied by the 3.022 multiplier to yield a billable fee. We felt the 1,600 hour figure distorted the actual employee direct cost by 16 percent, which also increased the fees by the same amount." (Services, \$5-9 million)

"Fee-based systems are cumbersome to administer. Agency costs, staff time, etc. are very subjective." (Packaged goods, \$50 million-\$99 million)

"Fees, if set in advance, often have built-in contingency factors. If a fee-for-service plan is used, it often acts as an impediment to close client-agency relationships. Client thinks twice before each call or conference." (Packaged goods, \$20 million-\$49 million)

"Under the fee compensation structure, my main concern is that there is no incentive for the agency to control cost." (Packaged goods, \$20 million-\$49 million)

Concerns Relating To Incentive Compensation Systems

The subject of incentive compensation seems to raise fundamental concerns and doubts in the minds of advertisers. In the first place, there seem to be differences of opinion about whether incentives should be awarded for better work, or tight control of agency costs, or both:

"I would love to have a workable way to tie business share/profit performance to agency compensation." (Consumer durables, \$20 million-\$49 million)

"Management will not embrace incentive compensation which I feel is needed to keep the agency producing its best work." (Consumer durables, \$10 million-\$19 million)

"We want to institute incentives for excellence of agency work." (Consumer durables \$20 million-\$49 million)

"Does our system work to provide an incentive for the agency to be both effective and efficient?" (Packaged goods, over \$100 million)

"Agencies need to be incented to work as efficiently as possible, but this can stifle creativity." (Packaged goods, \$20 million-\$49 million)

"In one sense, agencies are captive suppliers and should provide some cost efficiencies. However, their costs have profit built in and paying incentives to encourage efficiency seems excessive." (Packaged goods, \$20 million-\$49 million)

"Would like to incorporate an incentive structure into our compensation system to provide a higher level of accountability and cost consciousness in the execution of programs. There is really no incentive to watch costs except client pressures." (Packaged goods, \$10 million-\$19 million)

Some advertisers think there is an inconsistency in the notion of incentive compensation -- why should an agency be paid a second time to do what they have already been paid to do? As one advertiser expressed the idea:

"Incentive systems bother me. If an agency doesn't perform, they should be encouraged to improve. If they don't improve, they should be fired. If an agency does perform, that is what they should do -- why pay more? The compensation should be enough to do the job without incentives. If more money produces better results, the agency needs to demonstrate to their clients why compensation should be adjusted." (Package goods, \$50 million-\$99 million)

Other advertisers think that offering to pay an agency more through an incentive compensation cannot, in and of itself, guarantee that better work will be produced by the agency:

"Do so-called incentive compensation systems really provide better quality agency work? Do those who have implemented them feel that the quality of the work has gone up, down or remained the same?" (Packaged goods, \$5 million-\$9 million)

"I am concerned with the assumption that paying an agency an incremental commission on an increased fee will get a better creative output -- that superior ideas and concepts only come from a particular level of compensation." (Packaged goods, over \$100 million)

Other advertisers feel that, if there is to be an incentive compensation system, it should reward the agency for superior performance and, also, penalize the agency for substandard performance:

"Few incentive plans seem to pay for performance, that is, permit the agency to share in the same rewards/penalties as the advertiser." (Packaged goods, \$20 million-\$49 million)

"Should there be a compensation mechanism to reward the agency for excellent performance or, conversely, impose a penalty for poor performance?" (Consumer durables, \$5 million-\$9 million)

Finally, at least some advertisers have not yet figured out a way to incent their agency that makes sense:

"We would like to use some sort of incentive compensation system to improve agency performance further, but we have a problem in determining a rational basis for such a system." (Consumer durables, \$20 million-\$49 million)

A Final Word About Advertiser Concerns

In comparing the pattern of advertisers' "concerns" that were expressed in this study with those expressed in response to the same question in 1989, the current expressions of concern seem to be both more comprehensive and more sophisticated than in 1989.

In 1989, there was virtually no concern about the practices of advertisers in compensating their agencies. Yet, in 1992, as we have seen, almost one in five of the responding advertisers expressed such concerns. Several stated flatly that it was in the best interest of the advertiser that agency compensation be fair and that agency profitability be at adequate levels. There were other expressions of concern about advertiser shortcomings and short-sightedness in dealing with agency compensation issues.

As in 1989, many advertisers felt that agencies are not handling the compensation issue very well because of the complexity of their accounting systems, their inattention to cost management, and an inattention to developing a case for the tangible returns of a well-conceived advertising program.

Also as in 1989, there were specific advertiser criticisms, in 1992, of the commission system and of the fee system, reflecting again the fact that no system of agency compensation is without flaws.

And, although several advertisers in this study are experimenting with or using incentive compensation programs within their agency compensation systems, there is tangible unease and exasperation with incentive systems and how they should best be conceptualized and implemented.

Taking all of these concerns together, a new conclusion is suggested that could not have been drawn from the 1989 study: the solution of agency compensation issues is less likely to be found in a search for an ideal compensation mechanism as such, than in the good will and sensitivity with which both advertisers and their agencies work together within whatever system they use.

Agency compensation is better characterized as an advertiser-agency relationship issue than as an issue of perfecting accounting mechanisms and procedures.



APPENDIX 1



Association of National Advertisers, Inc.

1991 A.N.A. Survey of Current Advertiser Practices in Compensating Their Advertising Agencies

Your expertise can help us serve you better!

Every three years A.N.A. sponsors a comprehensive survey on agency compensation. Our Members have consistently found this confidential survey to be the single most useful study that A.N.A. sponsors.

It provides up-to-date information about agency compensation practices and thus gives you a basis for appraising and analyzing your own financial arrangements with your agency or agencies. In addition, the triennial study provides trend information that will help you understand how agency compensation methods are changing and why.

In the end, the study's usefulness depends upon widespread Member cooperation. The more Members who describe their compensation methods, the better the study.

This year's questionnaire is more user friendly than ever before. And, of course, your answers will be held in strict confidence.

Complete the enclosed questionnaire about agency compensation - or pass it on to that person in your organization who knows most about how you compensate your agency or agencies. If you have more than one agreement, please contact Matt Miller at A.N.A. (212) 697-5950 for extra copies, or feel free to duplicate the questionnaire yourself. It is very important that you report each different agreement separately.

Please help us to help you!

Return the questionnaire by October 31st.

**Completed questionnaire should be returned to A.N.A. Member Services Department
155 East 44th Street • New York • NY 10017 ☎ (212) 697-5950**

This **confidential questionnaire** should be used to describe a single advertising agency compensation agreement that is in use in your company. **If your company has different compensation agreements with different advertising agencies, (including ethnic or special assignment agencies) please use a separate questionnaire for each different agreement.**

All Responses Will be Kept Completely Confidential

Q 1. Your name _____
 Title _____ Phone () _____
 Company _____ Division _____
 Address _____
 City _____ State _____ Zip _____

Q 2a. Please approximate the 1991 domestic advertising expenditures for the product (or products), service (or services) or corporate advertising program (or programs) covered by the agency compensation arrangement about which you are reporting.

- ☐₁ 0 - \$4 million
☐₂ \$5 - 9 million
☐₃ \$10 - 19 million
☐₄ \$20 - 49 million
☐₅ \$50 - 99 million
 (06) ☐₆ Over \$100 million

Q 2b. How many advertising accounts or advertising assignments are included in this total?

- ☐₁ Only 1
☐₂ 2 - 5
☐₃ 6 - 10
 (07) ☐₄ More than 10

Q 3. Is more than one advertising agency covered by this compensation agreement?

- ☐₁ Yes
☐₂ No
 (08) ☐₃ Don't know

If yes: How many advertising agencies are covered?

_____ Agencies

(09-10)

Q 4. How would you classify the most heavily advertised product (or products) service (or services) or corporate advertising program (or programs) covered by your agency compensation agreement? (5-1)

- ☐₁ Packaged goods (e.g. food and household products; health and beauty aids; tobacco products; soft drinks; alcoholic beverages; gasoline and retail petroleum products; etc.)
☐₂ Consumer durables (e.g. household furnishings; appliances; electronic products; personal computers; cameras; automobiles; tires and accessories; etc.)
☐₃ Business-to-Business (e.g. industrial; basic metals; machinery; farm and heavy equipment; office equipment and supplies; business computers; drugs; medical instruments; etc.)
☐₄ Services (e.g. insurance and financial; communications; hotel; travel; restaurants; utilities; mail order; etc.)
☐₅ Corporate advertising
 (11) ☐₆ Other (Please specify):

 _____ (12-13)
 _____ (14-15 Z)

Q 5. Which of the following (choices A through E) broadly describes the compensation agreement that you are reporting about? (check appropriate box or boxes)

- (A) ☐ 1 Fixed percentage commission of media billings supplemented by a markup on production costs and other charges, as appropriate.

Media commission = _____% (17-20)

Production markup = _____% (21-24)

- (B) ☐ 2 Sliding scale (variable) percentage commission on billings.

(starting at the low end)

On Billings Of Media, Commission

Up To \$_____,000,000. = Is _____% (25-31)

Up To \$_____,000,000. = Is _____% (32-38)

Up To \$_____,000,000. = Is _____% (39-45)

Up To \$_____,000,000. = Is _____% (46-52)

Up To \$_____,000,000. = Is _____% (53-59)

Is the final commission rate applied to total billings or are individual commission rates applied to each segment of billing on the sliding scale you identified above?

- ☐ 1 Final % rate applied to all billings
- (60) ☐ 2 Individual % rates are applied to each segment of the sliding scale

Is production expense included in the base to which the commission rates are applied or is a standard production markup added?

- ☐ 1 Yes, production included in rate
- ☐ 2 No, a standard markup is added
- (81) ☐ 3 Don't know

If a "Standard markup" is added, what is the markup?

_____ %
(62-65)

Please Note:

Category C may also apply if you use a commission compensation of the kind detailed in categories A and B above:

- (C) ☐ 3 In addition to commissioned work, does your agency do projects on a fee basis?

☐ 1 Yes

(66) ☐ 2 No

If Yes: Please describe the fee structure that you use for these projects, only:

(67)

(68)

(69)

(70)

(71)

- (D) ☐ 4 Fee-based system for entire advertising account. Is the fee based on direct agency labor hours plus agency overhead, plus agency profit?

☐ 1 Yes

(71) ☐ 2 No

If No: please describe how the fee is calculated:

(72)

(73)

(74)

(75)

(76)

- (E) ☐ 5 Our company does not use either a (16) commission or a fee system in compensating advertising agencies.

Please describe the system that you do use.

(76)

(77)

(78)

(79)

(80)

Q 6. Are the fees you pay to the agency:

- ☐₁ Based on a prior estimate of the cost of agency labor that will be required, plus agency overhead, plus agency profit?
- ☐₂ A cost-plus arrangement (no advance budget estimate: agency costs are billed as accumulated, including agency overhead and profit?)
- ☐₃ A fixed fee for the product (flat dollar estimate or bill without detail?)

(08) ☐₄ Other (Please describe)

_____ (07)

_____ (08)

_____ (09)

Q 7. Does your agency compensation agreement require a reconciliation between actual agency cost and fees paid to the agency?

- ☐₁ Yes
- ☐₂ No
- (10) ☐₃ Don't know

Q 8. When circumstances warrant, do you allow for the renegotiation of fees?

- ☐₁ Yes
- ☐₂ No
- (11) ☐₃ Don't know

If yes, to renegotiation: Within what time frame is this done?

- ☐₁ Annually
- ☐₂ Semi-annually
- (12) ☐₃ Other

Q 9. Does your agency compensation agreement include a guarantee of agency profit?

- ☐₁ Yes
- ☐₂ No
- (13) ☐₃ Don't know

If Yes: Please describe the agency profit guarantee:

_____ (14)

_____ (15)

_____ (16)

Q 10. Does your agency compensation agreement include incentive compensation payments?

- ☐₁ Yes
- ☐₂ No
- (17) ☐₃ Don't know

If yes, to incentive payment: Please complete Questions 10a through 10e. (If No, please skip to Question 11)

Q 10a. What criteria or standards do you use to evaluate agency performance under the incentive program?

_____ (18)

_____ (19)

_____ (20)

Q 10b. Does the incentive program provide for different levels of incentive award for different levels of agency performance?

☐₁ Yes

☐₂ No

(21) ☐₃ Don't know

If Yes: What are the different award levels?

_____ (22)

_____ (23)

_____ (24)

Q 10c. What must the agency do to earn the different award levels?

_____ (25)

_____ (26)

_____ (27)

Q 10d. When you initiated the incentive compensation system, was the historic level of agency compensation reduced?

☐₁ Yes

☐₂ No

(28) ☐₃ Don't know

If Yes: Please describe the reduction

_____ (29)

_____ (30)

_____ (31)

Q 10e. Are there any other features of your incentive award system that are not covered by the preceding question?

☐₁ Yes

(32) ☐₂ No

If Yes: What are these features?

_____ (33)

_____ (34)

_____ (35)

_____ (36)

Q 11. Does your compensation system have any other features that make it unique?

☐₁ Yes

(37) ☐₂ No

If yes: what are those features?

_____ (38)

_____ (39)

_____ (40)

_____ (41)

Q 12a. Please check all of the services that are supplied to you by your advertising agency and indicate how the agency is compensated for these services:

Service	Service Covered By Compensation Agreement	Supplied by Agency But Not Covered By Compensation Agreement	How is Agency Compensated?
Creative work	☐ 1 (42)	☐ 1 (44)	_____ (46)
Acct. Services/ Counsel & Analysis	☐ 2	☐ 2	_____ (47)
Media Planning	☐ 3	☐ 3	_____ (48)
Media Buying	☐ 4	☐ 4	_____ (49)
A-O-R	☐ 5	☐ 5	_____ (50)
Broadcast Program Dev.	☐ 6	☐ 6	_____ (51)
Advertising Production	☐ 7	☐ 7	_____ (52)
Sales Promotion	☐ 8	☐ 8	_____ (53)
Public Relations	☐ 9	☐ 9	_____ (54)
Direct Response Advertising	☐ 0	☐ 0	_____ (55)
Yellow Pages Advertising	☐ x	☐ x	_____ (56)
New Product Development	☐ y	☐ y	_____ (57)
Marketing and Advertising Research	☐ 1 (43)	☐ 1 (45)	_____ (58)
Ethnic/Minority Advertising	☐ 2	☐ 2	_____ (59)

Q 12b . Now please indicate the source of all of the services that are supplied by another outside supplier or In House and how you pay for those services supplied by the other outside suppliers.

Service	Not supplied by Agency, or not used by our company	Supplied:		If an outside supplier is used, how is it compensated for this service?
		In House	Out- side	
Creative work	☐ 1 (06)	☐ 1 (08)	☐ 1 (10)	_____ (12)
Acct. Services/ Counsel & Analysis	☐ 2	☐ 2	☐ 2	_____ (13)
Media Planning	☐ 3	☐ 3	☐ 3	_____ (14)
Media Buying	☐ 4	☐ 4	☐ 4	_____ (15)
A-O-R	☐ 5	☐ 5	☐ 5	_____ (16)
Broadcast Program Dev.	☐ 6	☐ 6	☐ 6	_____ (17)
Advertising Production	☐ 7	☐ 7	☐ 7	_____ (18)
Sales Promotion	☐ 8	☐ 8	☐ 8	_____ (19)
Public Relations	☐ 9	☐ 9	☐ 9	_____ (20)
Direct Response Advertising	☐ 0	☐ 0	☐ 0	_____ (21)
Yellow Pages Advertising	☐ x	☐ x	☐ x	_____ (22)
New Product Development	☐ y	☐ y	☐ y	_____ (23)
Marketing and Advertising Research	☐ 1 (07)	☐ 1 (09)	☐ 1 (11)	_____ (24)
Ethnic/Minority Advertising	☐ 2	☐ 2	☐ 2	_____ (25)

- Q 13.** There are several ways for agencies to handle out-of-pocket costs related to day-to-day operations. They may be billed to clients with or without markup, or they may be absorbed by the agency. How are these expenses handled under your agency compensation arrangement?

Expense	Billed to Advertiser: No Markup	Billed to Advertiser: With Markup	Not billed to Advertiser By Agency	Don't Know
	1	2	3	4
Agency travel required by client	☐	☐	☐	☐ (26)
Client entertainment	☐	☐	☐	☐ (27)
Media measurement services	☐	☐	☐	☐ (28)
Unauthorized work initiated by agency	☐	☐	☐	☐ (29)
Free-lance professional help	☐	☐	☐	☐ (30)
Out-of-pocket research costs	☐	☐	☐	☐ (31)
State & local taxes	☐	☐	☐	☐ (32)
	1	2	3	4

- Q 14.** Does your advertising agency review financial information with you concerning the profitability of your account?

(33) a. ☐ 1 Yes

If Yes:

- ☐ 1 By brand
☐ 2 By operating unit
 (34) ☐ 3 For total account only

b. ☐ 2 No

If No: Have you asked for this information?

- ☐ 1 Yes
☐ 2 No
 (35) ☐ 3 Don't know

c. ☐ 3 We have more than one advertising agency: some review such data with us and some do not.

- Q 15.** Do you periodically calculate the difference paid between your compensation arrangement and a straight 15% media commission?

☐ 1 Yes

(36) ☐ 2 No

If Yes: Is your agency compensation

- ☐ 1 higher
☐ 2 lower

(37) ☐ 3 about equal to what it would have been under the straight 15% media commission?

Q 16. Do you have a formal contract or memorandum of agreement with the advertising agency or agencies covered under the compensation agreement you have described above?

☐ 1 Yes

(38) ☐ 2 No

If Yes: What is the term or length of that agreement?

_____ (39)

Q 17. Does your company send auditors to your agency (or agencies) to examine the financial records pertaining to your account?

☐ 1 Yes

(40) ☐ 2 No

If Yes: Please check frequency of examination

☐ 1 Annually

☐ 2 Semiannually

(41) ☐ 3 Other - Please specify:

_____ (42)

If Yes: Who conducts such audits?

☐ 1 Company's internal auditors

☐ 2 Advertising department personnel

☐ 3 Public Accountants

(43) ☐ 4 Other - Please describe:

_____ (44)

Q 18. How long has your current agency compensation agreement been in effect?

☐ 1 Less than one year

☐ 2 1 - 3 years

☐ 3 4 - 10 years

(45) ☐ 4 More than 10 years

Q 19. Have you made any significant changes in your agency compensation agreement during the past three years?

(46) ☐ 1 Yes

☐ 2 No

If no changes, please skip to Q 20.

If Yes:

a. Please describe the prior agreement and how it was changed

_____ (47)

_____ (48)

_____ (49)

b. Please indicate the major reason for making the change

_____ (50)

_____ (51)

_____ (52)

c. Has this change resulted in:

☐ 1 Increased agency compensation

☐ 2 Decreased agency compensation

(53) ☐ 3 No significant change in agency compensation

d. Has this change resulted in:

☐ 1 Improved agency performance

☐ 2 Poorer agency performance

(54) ☐ 3 No change in agency performance

Q 20. A most important Final Question: Please answer in as much detail as possible:

What general or specific concerns do you have about current agency compensation practices?

(55)

(56)

(57)

(58)

(59)

(60)

(61)

(62)

(63)

APPENDIX 2

TABLE 1

Q.3 WHICH OF THE FOLLOWING (CHOICES A THROUGH E) BROADLY DESCRIBE
THE COMPENSATION AGREEMENT THAT YOU ARE REPORTING ABOUT?

	COMPENSATION AGREEMENT REPORTED										MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99						OVER \$100
			15%	15%	15%	15%																
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	55 100%	17 100%	19 100%	32 100%	17 100%	3 100%
A: FIXED PERCENTAGE COMMISSION OF MEDIA BILLINGS SUPPLEMENTED BY A MARKUP ON PRODUCTION COSTS AND OTHER CHARGES, AS APPROPRIATE	65 48%	65 100%	16 100%	40 100%	5 100%	4 100%	-	33 83%	-	-	11 37%	8 53%	11 61%	14 43%	10 43%	9 60%	28 47%	9 53%	9 47%	15 47%	10 59%	2 67%
B: SLIDING SCALE (VARIABLE) PERCENTAGE COMMISSION ON BILLINGS	19 14%	-	-	-	-	-	19 100%	7 18%	-	-	-	-	1 6%	5 15%	10 43%	3 20%	11 19%	2 12%	-	6 19%	-	-
C: IN ADDITION TO COM- MISSIONED WORK, DOES YOUR AGENCY DO PROJECTS ON A FEE BASIS?	40 29%	33 51%	8 50%	20 50%	4 80%	1 25%	7 37%	40 100%	-	-	6 20%	5 33%	4 22%	10 30%	10 43%	5 33%	21 36%	3 18%	5 26%	8 25%	6 35%	2 67%
D: FEE-BASED SYSTEM FOR ENTIRE ADVERTISING ACCOUNT.	44 32%	-	-	-	-	-	-	-	44 100%	-	15 50%	6 40%	5 28%	13 39%	2 9%	3 20%	19 32%	6 35%	6 32%	8 25%	5 29%	1 33%
E: COMPANY DOES NOT USE EITHER A COMMISSION OR A FEE SYSTEM IN COMPEN- SATING ADVERTISING AGENCIES	8 6%	-	-	-	-	-	-	-	-	8 100%	4 13%	1 7%	1 6%	1 3%	1 4%	-	1 2%	-	4 21%	3 9%	2 12%	-

TABLE 2

Q. 15 DO YOU PERIODICALLY CALCULATE THE DIFFERENCE PAID BETWEEN YOUR
COMPENSATION ARRANGEMENT AND A STRAIGHT 15% MEDIA COMMISSION?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)					PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS	MORE	NO	ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
			THAN 15%	THAN 15%																		
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%
YES, PERIODICALLY CAL- CULATE	69 51%	17 26%	7 44%	9 23%	1 20%	-	13 68%	17 43%	35 80%	4 50%	13 43%	6 40%	9 50%	20 61%	9 39%	12 80%	34 58%	10 59%	7 37%	13 41%	7 41%	1 33%
NO, DO NOT	52 38%	36 55%	8 50%	22 55%	4 80%	2 50%	6 32%	19 48%	7 16%	3 38%	14 47%	8 53%	8 44%	5 15%	12 52%	3 20%	20 34%	5 29%	10 53%	12 38%	9 53%	2 67%
NO ANSWER	15 11%	12 18%	1 6%	9 23%	-	2 50%	-	4 10%	2 5%	1 13%	3 10%	1 7%	1 6%	8 24%	2 9%	-	5 8%	2 12%	2 11%	7 22%	1 6%	-
IF YES: IS YOUR AGENCY COMPENSATION HIGHER	15 11%	2 3%	-	1 3%	1 20%	-	-	1 3%	11 25%	2 25%	6 20%	3 20%	1 6%	3 9%	-	2 13%	3 5%	3 18%	6 32%	2 6%	2 12%	-
LOWER	39 29%	9 14%	7 44%	2 5%	-	-	11 58%	10 25%	19 43%	-	4 13%	2 13%	7 39%	11 33%	7 30%	8 53%	22 37%	7 41%	1 5%	6 18%	3 18%	1 33%
ABOUT EQUAL TO WHAT IT WOULD HAVE BEEN UNDER THE STRAIGHT 15% MEDIA COMMISSION	12 9%	6 9%	-	6 15%	-	-	1 5%	6 15%	4 9%	1 13%	3 10%	-	1 6%	5 15%	2 9%	1 7%	7 12%	-	-	4 13%	2 12%	-
NO ANSWER	3 2%	-	-	-	-	-	1 5%	-	1 2%	1 13%	-	1 7%	-	1 3%	-	1 7%	2 3%	-	-	1 3%	-	-

TABLE 3

Q.5A PERCENT MEDIA COMMISSION AND PRODUCTION MARKUP
 BASE: RESPONDENTS REPORTING A FIXED PERCENTAGE COMMISSION

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	65 100%	65 100%	16 100%	40 100%	5 100%	4 100%	-	33 100%	-	-	11 100%	8 100%	11 100%	14 100%	10 100%	9 100%	28 100%	9 100%	9 100%	15 100%	10 100%	2 100%
MEDIA COMMISSION																						
LESS THAN 15 PERCENT	16 25%	16 25%	16 100%	-	-	-	-	8 24%	-	-	1 9%	1 13%	4 36%	4 29%	3 30%	3 33%	6 21%	5 56%	1 11%	4 27%	1 10%	-
15 PERCENT	40 62%	40 62%	-	40 100%	-	-	-	20 61%	-	-	8 73%	4 50%	7 64%	8 57%	6 60%	5 56%	19 68%	4 44%	5 56%	10 67%	6 60%	1 50%
MORE THAN 15 PERCENT	5 8%	5 8%	-	-	5 100%	-	-	4 12%	-	-	1 9%	3 38%	-	1 7%	-	-	1 4%	-	2 22%	-	3 30%	1 50%
NO ANSWER	4 6%	4 6%	-	-	-	4 100%	-	1 3%	-	-	1 9%	-	-	1 7%	1 10%	1 11%	2 7%	-	1 11%	1 7%	-	
PRODUCTION COMMISSION																						
LESS THAN 15 PERCENT	10 15%	10 15%	7 44%	3 8%	-	-	-	7 21%	-	-	-	-	1 9%	3 21%	3 30%	3 33%	5 18%	2 22%	-	3 20%	1 10%	-
15 PERCENT	11 17%	11 17%	1 6%	8 20%	1 20%	1 25%	-	6 18%	-	-	1 9%	2 25%	2 18%	1 7%	-	4 44%	7 25%	1 11%	2 22%	-	3 30%	-
17.65 PERCENT	37 57%	37 57%	7 44%	26 65%	4 80%	-	-	17 52%	-	-	8 73%	5 63%	7 64%	9 64%	6 60%	1 11%	14 50%	6 67%	5 56%	9 60%	6 60%	2 100%
MORE THAN 17.65 PERCENT	1 2%	1 2%	-	1 3%	-	-	-	1 3%	-	-	1 9%	-	-	-	-	-	-	-	1 11%	-	-	-
NO ANSWER	6 9%	6 9%	1 6%	2 5%	-	3 75%	-	2 6%	-	-	1 9%	1 13%	1 9%	1 7%	1 10%	1 11%	2 7%	-	1 11%	3 20%	-	

TABLE 4

Q.5B-3 IS PRODUCTION EXPENSE INCLUDED IN THE BASE TO WHICH THE
COMMISSION RATES ARE APPLIED OR IS A STANDARD PRODUCTION MARKUP ADDED?
BASE: RESPONDENTS REPORTING A SLIDING SCALE (VARIABLE) COMMISSION

	COMPENSATION AGREEMENT REPORTED										MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	19 100%	-	-	-	-	-	19 100%	7 100%	-	-	-	-	1 100%	5 100%	10 100%	3 100%	11 100%	2 100%	-	5 100%	-	-
YES, PRODUCTION INCLUDED IN RATE	10 53%	-	-	-	-	-	10 53%	4 57%	-	-	-	-	1 100%	2 40%	5 50%	2 67%	7 64%	1 50%	-	2 33%	-	-
NO, A STANDARD MARKUP IS ADDED	9 47%	-	-	-	-	-	9 47%	3 43%	-	-	-	-	-	3 60%	5 50%	1 33%	4 36%	1 50%	-	4 67%	-	-

TABLE 5

Q.19 HAVE YOU MADE ANY SIGNIFICANT CHANGES IN YOUR AGENCY COMPENSATION AGREEMENT DURING THE PAST THREE YEARS?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%
YES, MADE SIGNIFICANT CHANGE	53 39%	21 32%	6 38%	12 30%	2 40%	1 25%	11 58%	17 43%	19 43%	2 25%	12 40%	6 40%	7 39%	11 33%	11 48%	6 40%	27 46%	6 35%	5 26%	12 38%	4 24%	1 33%
NO, DID NOT MAKE CHANGE	82 60%	43 66%	9 56%	28 70%	3 60%	3 75%	8 42%	23 58%	25 57%	6 75%	18 60%	9 60%	11 61%	21 64%	12 52%	9 60%	32 54%	11 65%	14 74%	19 59%	13 76%	2 67%
NO ANSWER	1 1%	1 2%	1 6%	-	-	-	-	-	-	-	-	-	-	1 3%	-	-	-	-	-	1 3%	-	-

TABLE 6

Q.19B PLEASE INDICATE THE MAJOR REASON FOR MAKING THE CHANGE
BASE: HAVE MADE SIGNIFICANT CHANGES IN COMPENSATION AGREEMENT

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
			15%	15%	15%	15%																	
TOTAL RESPONDENTS	53 100%	21 100%	6 100%	12 100%	2 100%	1 100%	11 100%	17 100%	19 100%	2 100%	12 100%	6 100%	7 100%	11 100%	11 100%	6 100%	27 100%	6 100%	5 100%	12 100%	4 100%	1 100%	
CONTROL COSTS OF AGENCY SERVICE, REDUCE ADVERTISING EXPENSE	12 23%	6 29%	3 50%	3 25%	-	-	4 36%	5 29%	2 11%	-	-	-	5 71%	4 36%	3 27%	-	6 22%	3 50%	-	3 25%	-	-	
IMPROVE AGENCY PERFORMANCE, MAKE AGENCY MORE RESPONSIVE	11 21%	2 10%	-	1 8%	1 50%	-	3 27%	3 18%	5 26%	1 50%	4 33%	1 17%	-	2 18%	3 27%	1 17%	6 22%	1 17%	2 40%	2 17%	-	-	
DECLINING AGENCY PROFITABILITY	8 15%	3 14%	-	2 17%	-	1 100%	2 18%	4 24%	2 11%	1 50%	2 17%	1 17%	-	3 27%	-	2 33%	5 19%	-	-	2 17%	2 50%	-	
TO IMPOSE TIGHTER CONTROLS, TO GAIN MORE EXPLICIT UNDERSTANDING OF AGENCY COSTS AND PROFITS, TO CLARIFY NEGOTIATION ISSUES	6 11%	-	-	-	-	-	1 9%	-	4 21%	1 50%	1 8%	3 50%	-	1 9%	-	1 17%	2 7%	-	2 40%	2 17%	-	-	
DECREASE IN AGENCY BILLINGS	3 6%	2 10%	-	2 17%	-	-	-	1 6%	1 5%	-	2 17%	1 17%	-	-	-	-	2 7%	-	1 20%	-	1 25%	-	
CHANGE IN AGENCY, CHANGE IN COMPANY OWNERSHIP	3 6%	1 5%	1 17%	-	-	-	-	-	1 5%	1 50%	-	2 33%	1 14%	-	-	-	-	1 17%	2 40%	-	-	-	
INCREASE IN AGENCY BILLINGS	2 4%	1 5%	1 17%	-	-	-	1 9%	-	-	-	-	-	-	-	1 9%	1 17%	-	1 17%	-	1 8%	-	-	
PROVIDE AGENCY WITH INCENTIVE	2 4%	1 5%	-	-	1 50%	-	-	1 6%	1 5%	-	-	-	-	1 9%	-	1 17%	2 7%	-	-	-	-	-	
TO SIMPLIFY THE COMPENSATION SYSTEM	2 4%	-	-	-	-	-	-	-	2 11%	-	-	-	-	-	1 9%	1 17%	1 4%	-	-	1 8%	-	-	
REDUCTION IN CLIENT STAFF	1 2%	1 5%	-	1 8%	-	-	-	-	-	-	-	-	-	-	1 9%	-	1 4%	-	-	-	-	-	
ALL OTHER SINGLE MENTIONS	6 11%	3 14%	1 17%	1 8%	1 50%	-	3 27%	4 24%	-	-	1 8%	1 17%	-	2 18%	2 18%	-	3 11%	-	-	2 17%	1 25%	-	
NO ANSWER	5 9%	2 10%	-	2 17%	-	-	-	1 6%	3 16%	-	2 17%	-	1 14%	-	2 18%	-	4 15%	-	-	-	-	1 100%	

TABLE 7

Q.19C/D RESULTS OF CHANGES IN AGENCY COMPENSATION AGREEMENTS
 BASE: HAVE MADE SIGNIFICANT CHANGES IN COMPENSATION AGREEMENT

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT															
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMI- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)							PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER				
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100											
TOTAL RESPONDENTS	53 100%	21 100%	6 100%	12 100%	2 100%	1 100%	11 100%	17 100%	19 100%	2 100%	12 100%	6 100%	7 100%	11 100%	11 100%	6 100%	27 100%	6 100%	5 100%	12 100%	4 100%	1 100%					
INCREASED AGENCY COMPEN- SATION	17 32%	4 18%	-	3 25%	-	1 100%	3 27%	4 24%	9 47%	1 50%	6 50%	2 33%	1 14%	2 18%	3 27%	3 50%	8 30%	1 17%	2 40%	5 42%	2 50%	-					
DECREASED AGENCY COMPEN- SATION	23 43%	11 52%	5 83%	5 42%	1 50%	-	5 45%	6 35%	7 37%	-	4 33%	2 33%	6 86%	5 45%	4 36%	2 33%	11 41%	5 83%	1 20%	5 42%	2 50%	-					
NO SIGNIFICANT CHANGE IN AGENCY COMPENSATION	10 19%	4 19%	1 17%	3 25%	-	-	3 27%	5 29%	2 11%	1 50%	2 17%	1 17%	-	3 27%	4 36%	-	6 22%	-	1 20%	2 17%	-	1 100%					
NO ANSWER	3 6%	2 10%	-	1 8%	1 50%	-	-	2 12%	1 5%	-	-	1 17%	-	1 9%	-	1 17%	2 7%	-	1 20%	-	-	-					
IMPROVED AGENCY PERFOR- MANCE	17 32%	2 10%	1 17%	1 8%	-	-	4 36%	2 12%	9 47%	2 100%	6 50%	1 17%	2 29%	1 9%	5 45%	2 33%	7 26%	2 33%	2 40%	6 50%	1 25%	-					
POORER AGENCY PERFOR- MANCE	1 2%	1 5%	1 17%	-	-	-	-	1 6%	-	-	-	-	-	1 9%	-	-	1 4%	-	-	-	-	-					
NO CHANGE IN AGENCY PERFORMANCE	31 58%	15 71%	4 67%	9 75%	1 50%	1 100%	7 64%	11 65%	9 47%	-	6 50%	5 83%	5 71%	8 73%	4 36%	3 50%	16 59%	4 67%	3 60%	6 50%	3 75%	-					
NO ANSWER	4 8%	3 14%	-	2 17%	1 50%	-	-	3 18%	1 5%	-	-	-	-	1 9%	2 18%	1 17%	3 11%	-	-	-	-	1 100%					

TABLE 8

Q.9 DOES YOUR AGENCY COMPENSATION AGREEMENT INCLUDE A
GUARANTEE OF AGENCY PROFIT?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTH
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	8 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	10 100%
YES, INCLUDES A GUARAN- TEE OF AGENCY PROFIT	25 18%	9 14%	1 6%	6 15%	2 40%	-	1 5%	3 8%	15 34%	-	6 20%	3 20%	2 11%	9 27%	1 4%	4 27%	8 14%	4 24%	5 26%	5 16%	4 24%	-
NO, DOES NOT ALLOW A GUARANTEE OF AGENCY PROFIT	106 78%	53 82%	14 88%	33 83%	3 60%	3 75%	17 89%	36 90%	28 64%	8 100%	23 77%	12 80%	16 89%	23 70%	19 83%	11 73%	51 86%	12 71%	12 63%	26 81%	13 76%	3 30%
DON'T KNOW	3 2%	2 3%	-	1 3%	-	1 25%	1 5%	1 3%	-	-	1 3%	-	-	-	2 9%	-	-	1 6%	2 11%	-	-	3 30%
NO ANSWER	2 1%	1 2%	1 6%	-	-	-	-	-	1 2%	-	-	-	-	1 3%	1 4%	-	-	-	-	1 3%	-	3 30%
IF YES: PLEASE DESCRIBE THE AGENCY PROFIT GUARANTEE																						
PROFIT PERCENTAGE IS INCLUDED IN FEE CALCULATION	3 2%	-	-	-	-	-	-	-	3 7%	-	-	-	-	2 6%	1 4%	-	1 2%	-	1 5%	-	1 6%	-
MINIMUM PROFIT GUARANTEE AS A PERCENT OF BILLINGS OR LABOR AND OVERHEAD COSTS	8 6%	2 3%	-	1 3%	1 20%	-	-	-	6 14%	-	2 7%	2 13%	2 11%	1 3%	-	1 7%	-	2 12%	1 5%	4 13%	2 12%	-
MINIMUM COMMISSION GUARANTEED, REGARD- LESS OF BILLING LEVEL	3 2%	2 3%	-	2 5%	-	-	1 5%	1 3%	-	-	1 3%	-	-	1 3%	-	1 7%	2 3%	1 9%	-	-	-	-
SAFETY NET TO AVOID AGENCY LOSS	1 1%	1 2%	1 6%	-	-	-	-	-	-	-	-	-	-	-	-	1 7%	-	1 6%	-	-	-	-
ALL OTHER SINGLE MENTIONS	2 1%	2 3%	-	1 3%	1 20%	-	-	1 3%	-	-	-	-	-	1 3%	-	1 7%	2 3%	-	-	-	-	-
NO ANSWER	8 6%	2 3%	-	3 5%	-	-	-	1 3%	6 14%	-	3 10%	1 7%	-	4 12%	-	-	3 5%	-	3 16%	1 3%	1 6%	-

TABLE 9

Q.10 DOES YOUR AGENCY COMPENSATION AGREEMENT INCLUDE
INCENTIVE COMPENSATION PAYMENTS?

	COMPENSATION AGREEMENT REPORTED										ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMIS- SION NOR FEE							PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	18 100%	32 100%	17 100%	3 100%
YES, INCLUDES INCENTIVE COMPENSATION PAYMENTS	18 13%	5 8%	2 13%	2 5%	1 20%	-	2 11%	6 15%	10 23%	1 13%	1 3%	2 13%	2 11%	5 15%	4 17%	4 27%	10 17%	1 6%	3 16%	4 13%	-	-
NO, DOES NOT INCLUDE INCENTIVE COMPENSATION PAYMENTS	116 85%	58 89%	14 88%	38 95%	3 60%	3 75%	17 89%	33 83%	34 77%	7 88%	28 93%	12 80%	16 89%	28 85%	19 83%	11 73%	49 83%	16 94%	15 79%	28 88%	16 94%	2 67%
DON'T KNOW	2 1%	2 3%	-	-	1 20%	1 25%	-	1 3%	-	-	1 3%	1 7%	-	-	-	-	-	-	1 5%	-	1 6%	1 33%

TABLE 10

Q.10A WHAT CRITERIA OR STANDARDS DO YOU USE TO EVALUATE
AGENCY PERFORMANCE UNDER THE INCENTIVE PROGRAM?
BASE: AGENCY COMPENSATION AGREEMENT INCLUDES INCENTIVE
COMPENSATION PAYMENTS

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMI- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					-----											
											0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	18 100%	5 100%	2 100%	2 100%	1 100%	-	2 100%	6 100%	10 100%	1 100%	1 100%	2 100%	2 100%	5 100%	4 100%	4 100%	10 100%	1 100%	3 100%	4 100%	-	-
OBJECTIVE GOALS - PROFITS, SALES, MARKET SHARE, COMMER- CIAL TEST SCORES, ETC.	6 33%	2 40%	1 50%	1 50%	-	-	-	2 33%	3 30%	1 100%	-	2 100%	1 50%	-	1 25%	2 50%	5 50%	-	1 33%	-	-	-
COMBINATION OF OBJECTIVE AND SUBJEC- TIVE GOALS	5 28%	2 40%	-	1 50%	1 100%	-	1 50%	3 50%	2 20%	-	-	-	-	2 40%	2 50%	1 25%	3 30%	-	-	2 50%	-	-
SUBJECTIVE GOALS - APPRAISAL OF OVERALL AGENCY PERFORMANCE, ACCOUNT SERVICE, CREATIVE WORK, ETC.	3 17%	1 20%	1 50%	-	-	-	-	1 17%	2 20%	-	1 100%	-	-	1 20%	-	1 25%	1 10%	1 100%	1 33%	-	-	-
MEDIA SPENDING ABOVE PLANNED/BUDGETED SPENDING FOR YEAR	2 11%	-	-	-	-	-	-	-	2 20%	-	-	-	-	2 40%	-	-	-	-	1 33%	1 25%	-	-
GOALS NOT SPECIFIED	1 6%	-	-	-	-	-	-	-	1 10%	-	-	-	1 50%	-	-	-	1 10%	-	-	-	-	-
ALL OTHER SINGLE MENTIONS	1 6%	-	-	-	-	-	1 50%	-	-	-	-	-	-	-	1 25%	-	-	-	1 25%	-	-	

TABLE 11

Q.108 DOES THE INCENTIVE PROGRAM PROVIDE FOR DIFFERENT LEVELS OF INCENTIVE AWARD FOR DIFFERENT LEVELS OF AGENCY PERFORMANCE?
 BASE: AGENCY COMPENSATION AGREEMENT INCLUDES INCENTIVE COMPENSATION PAYMENTS

	COMPENSATION AGREEMENT REPORTED										ADVERTISING EXPENDITURE (IN MILLIONS)							MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE							PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTH	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER																	
											0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100							
TOTAL RESPONDENTS	18 100%	5 100%	2 100%	2 100%	1 100%	-	2 100%	6 100%	10 100%	1 100%	1 100%	2 100%	2 100%	5 100%	4 100%	4 100%	10 100%	1 100%	3 100%	4 100%	-		
YES, ALLOWS FOR DIFFER- ENT LEVELS	13 72%	4 80%	2 100%	1 50%	1 100%	-	2 100%	5 83%	7 70%	-	1 100%	1 50%	2 100%	2 40%	3 75%	4 100%	8 80%	1 100%	1 33%	3 75%	-		
NO, DOES NOT ALLOW FOR DIFFERENT LEVELS	5 28%	1 20%	-	1 50%	-	-	-	1 17%	3 30%	1 100%	-	1 50%	-	3 60%	1 25%	-	2 20%	-	2 67%	1 25%	-		
IF YES: WHAT ARE THE DIFFERENT AWARD LEVELS?																							
VARYING LEVELS OF INCENTIVE PAYMENT DEPENDING UPON OBJEC- TIVE SCORES OR ACCOM- PLISHMENTS; SUBJEC- TIVE EVALUATION OR SCORES, FOR AGENCY PERFORMANCE	10 56%	4 80%	2 100%	1 50%	1 100%	-	-	4 67%	6 60%	-	1 100%	1 50%	2 100%	2 40%	1 25%	3 75%	8 80%	1 100%	1 33%	-	-		
INCREASED COMPENSA- TION FOR PERFORMANCE ABOVE EXPECTATIONS; DECREASED COMPENSA- TION FOR PERFORMANCE BELOW EXPECTATION	1 6%	-	-	-	-	-	1 50%	-	-	-	-	-	-	-	1 25%	-	-	-	-	1 25%	-		
ALL OTHER SINGLE MENTIONS	1 6%	-	-	-	-	-	1 50%	1 17%	-	-	-	-	-	-	1 25%	-	-	-	-	1 25%	-		
NO ANSWER	1 6%	-	-	-	-	-	-	-	1 10%	-	-	-	-	-	-	1 25%	-	-	-	1 25%	-		

TABLE 12

Q.10C WHAT MUST THE AGENCY DO TO EARN THE DIFFERENT AWARD LEVELS?
 BASE: AGENCY COMPENSATION AGREEMENT INCLUDES INCENTIVE
 COMPENSATION PAYMENTS

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100							
TOTAL RESPONDENTS	18 100%	5 100%	2 100%	2 100%	1 100%	-	2 100%	6 100%	10 100%	1 100%	-	1 100%	2 100%	2 100%	5 100%	4 100%	4 100%	10 100%	1 100%	3 100%	4 100%	-	-
AGENCY WORK MUST BE JUDGED ABOVE AVERAGE, SUPERIOR, EXCEPTIONAL, ETC.	4 22%	-	-	-	-	-	-	-	3 30%	1 100%	-	-	1 50%	-	1 20%	-	2 50%	1 10%	-	2 67%	1 25%	-	-
EXCEED GOALS	3 17%	1 20%	1 50%	-	-	-	-	1 17%	2 20%	-	-	1 100%	-	1 50%	-	-	1 25%	2 20%	1 100%	-	-	-	-
BRAND SHARE, SALES, PROFITS MUST EXCEED GOALS; LAST YEAR'S LEVELS	3 17%	1 20%	-	1 50%	-	-	1 50%	1 17%	1 10%	-	-	-	1 50%	-	-	1 25%	1 25%	2 20%	-	-	1 25%	-	-
BEAT LAST YEAR'S PERFORMANCE (PERFOR- MANCE NOT SPECIFIED)	1 6%	1 20%	1 50%	-	-	-	-	1 17%	-	-	-	-	-	-	-	1 25%	-	1 10%	-	-	-	-	-
CONSUMER RESEARCH MEASURES MUST EXCEED GOALS	1 6%	1 20%	-	-	1 100%	-	-	1 17%	-	-	-	-	-	-	1 20%	-	-	1 10%	-	-	-	-	-
EXCEED OBJECTIVE (SALES, CONSUMER RESEARCH ETC.) AND SUBJECTIVE (ASSESSMENT OF AGENCY WORK, PERFORMANCE, ETC.) GOALS	1 6%	-	-	-	-	-	-	-	1 10%	-	-	-	-	1 50%	-	-	-	1 10%	-	-	-	-	-
DEPENDS ON FINAL LEVEL OF MEDIA EXPENDITURE	1 6%	-	-	-	-	-	-	-	1 10%	-	-	-	-	-	1 20%	-	-	-	-	1 33%	-	-	-
NO ANSWER	4 22%	1 20%	-	1 50%	-	-	1 50%	2 33%	2 20%	-	-	-	-	-	2 40%	2 50%	-	2 20%	-	-	2 50%	-	-

TABLE 13

Q.100 WHEN YOU INITIATED THE INCENTIVE COMPENSATION SYSTEM,
 WAS THE HISTORIC LEVEL OF AGENCY COMPENSATION REDUCED?
 BASE: AGENCY COMPENSATION AGREEMENT INCLUDES INCENTIVE
 COMPENSATION PAYMENTS

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT									
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMI- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	18 100%	5 100%	2 100%	2 100%	1 100%	-	2 100%	6 100%	10 100%	1 100%	2 100%	2 100%	5 100%	4 100%	4 100%	10 100%	1 100%	3 100%	4 100%	-	-
YES, HISTORIC LEVEL OF AGENCY COMPENSATION WAS REDUCED	6 33%	3 60%	-	2 100%	1 100%	-	-	3 50%	3 30%	1 100%	1 50%	-	1 20%	1 25%	2 50%	4 40%	1 100%	-	1 25%	-	-
NO, HISTORIC LEVEL OF AGENCY COMPENSATION WAS NOT REDUCED	11 61%	2 40%	2 100%	-	-	-	2 100%	3 50%	6 60%	1 100%	1 50%	2 100%	3 60%	3 75%	2 50%	6 60%	-	3 100%	2 50%	-	-
DON'T KNOW	1 5%	-	-	-	-	-	-	-	1 10%	-	-	-	1 20%	-	-	-	-	-	1 25%	-	-
IF YES: PLEASE DESCRIBE THE REDUCTION																					
FIXED FEE WAS REDUCED	2 11%	1 20%	-	-	1 100%	-	-	1 17%	1 10%	1 100%	-	-	1 20%	-	-	1 10%	1 100%	-	-	-	-
COMMISSION RATE WAS REDUCED	1 6%	1 20%	-	1 50%	-	-	-	1 17%	-	-	-	-	-	-	1 25%	1 10%	-	-	-	-	-
ALL OTHER SINGLE MENTIONS	1 6%	-	-	-	-	-	-	-	1 10%	-	-	-	-	-	1 25%	-	-	-	1 25%	-	-
NO ANSWER	2 11%	1 20%	-	1 50%	-	-	-	1 17%	1 10%	-	1 50%	-	-	1 25%	-	2 20%	-	-	-	-	-

TABLE 14

Q.11 DOES YOUR COMPENSATION SYSTEM HAVE ANY OTHER FEATURES THAT MAKE IT UNIQUE?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
			15%	15%	15%	NO ANSWER																	
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%		30 100%	19 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%
YES, COMPENSATION SYSTEM HAS UNIQUE FEATURES	20 15%	9 14%	1 6%	5 13%	1 20%	2 50%	2 11%	3 8%	8 18%	1 13%		3 10%	3 20%	1 6%	4 12%	3 13%	5 33%	10 17%	2 12%	1 5%	5 16%	3 18%	1 33%
NO, COMPENSATION SYSTEM DOES NOT HAVE UNIQUE FEATURES	106 78%	48 74%	14 88%	29 73%	3 60%	2 50%	16 84%	30 75%	36 82%	6 75%		25 83%	11 73%	17 94%	25 76%	18 78%	9 60%	47 80%	14 82%	14 74%	24 75%	13 76%	1 33%
NO ANSWER	10 7%	8 12%	1 6%	6 15%	1 20%	-	1 5%	7 18%	-	1 13%		2 7%	1 7%	-	4 12%	2 9%	1 7%	2 3%	1 6%	4 21%	3 9%	1 6%	1 33%
IF YES: WHAT ARE THOSE FEATURES?																							
THERE IS AN UNUSUAL WAY OF CALCULATING AND/OR REIMBURSING AGENCY CHARGES AND COSTS	3 2%	-	-	-	-	-	-	-	3 7%	-		1 3%	1 7%	-	-	-	1 7%	-	-	-	3 9%	-	-
THERE IS AN UNUSUAL WAY OF HANDLING, REGULATING OR GUARAN- TEEING AGENCY PROFITS	5 4%	2 3%	-	-	1 20%	1 25%	-	1 3%	2 5%	1 13%		1 3%	2 13%	-	-	1 4%	1 7%	1 2%	-	1 5%	1 3%	2 12%	1 33%
AGENCY PERFORMS UNUSUAL SERVICES AND COMPENSATION REFLECTS THESE SERVICES	5 4%	3 5%	-	2 5%	-	1 25%	-	1 3%	2 5%	-		1 3%	-	-	2 6%	-	2 13%	5 8%	-	-	-	-	-
AGENCY COMPENSATION DEPENDS UPON PERFOR- MANCE	1 1%	1 2%	-	-	-	1 25%	-	1 3%	-	-		-	-	-	-	-	1 7%	1 2%	-	-	-	-	-
TOTAL AGENCY COMPEN- SATION TION IS COM- PUTED IN AN UNUSUAL WAY	2 1%	1 2%	1 6%	-	-	-	1 5%	1 3%	-	-		-	-	-	1 3%	-	1 7%	1 2%	1 6%	-	-	1 6%	-
A PORTION OF AGENCY COMMISSION IS SET ASIDE FOR CONSUMER RESEARCH	2 1%	2 3%	1 6%	1 3%	-	-	-	1 3%	-	-		-	-	-	1 3%	-	1 7%	1 2%	1 6%	-	-	1 6%	-
THE AGENCY IS OVERPAID	1 1%	1 2%	-	1 3%	-	-	-	-	-	-		-	-	-	1 3%	-	-	-	-	-	1 3%	-	-
THERE IS AN INCENTIVE FOR BOTH AGENCY AND CLIENT TO HOLD COSTS	1 1%	-	-	-	-	-	-	-	1 2%	-		-	-	1 6%	-	-	-	-	1 6%	-	-	-	-

TABLE 15

Q.12A PLEASE CHECK ALL THE SERVICES THAT ARE SUPPLIED TO YOU BY YOUR
ADVERTISING AGENCY AND INDICATE HOW THE AGENCY IS COMPENSATED FOR THESE SERVICES
Q.12B NOW PLEASE INDICATE THE SOURCE OF ALL OF THE SERVICES THAT ARE SUPPLIED
BY ANOTHER OUTSIDE SUPPLIER OR IN HOUSE AND HOW YOU PAY FOR THOSE SERVICES
SUPPLIED BY THE OTHER OUTSIDE SUPPLIERS.

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100							
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%	
CREATIVE WORK																							
SERVICE COVERED BY COMPENSATION AGREEMENT	132 97%	62 95%	15 94%	39 98%	4 80%	4 100%	19 100%	39 98%	44 100%	7 88%	28 93%	15 100%	18 100%	33 100%	23 100%	14 93%	58 98%	16 94%	18 95%	31 97%	17 100%	3 100%	
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	1 3%	-	-	-	-	-	-	-	1 5%	-	-	-	
COMPENSATED BY:																							
HOURLY RATE	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	1 3%	-	-	-	-	-	-	-	1 5%	-	-	-	
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	9 7%	7 11%	2 13%	4 10%	1 20%	-	-	6 15%	1 2%	1 13%	2 7%	2 13%	1 6%	1 3%	1 4%	2 13%	3 5%	-	3 16%	3 9%	1 6%	-	
SUPPLIED IN HOUSE	12 9%	6 9%	1 6%	4 10%	-	1 25%	2 11%	4 10%	2 5%	2 25%	3 10%	2 13%	1 6%	5 15%	1 4%	-	5 8%	-	2 11%	5 16%	1 6%	-	
SUPPLIED OUT-SIDE	13 10%	6 9%	1 6%	4 10%	1 20%	-	1 5%	4 10%	3 7%	3 38%	2 7%	3 20%	-	3 9%	3 13%	2 13%	2 3%	1 6%	4 21%	7 22%	3 18%	-	
COMPENSATED BY:																							
FEE	8 6%	3 5%	-	2 5%	1 20%	-	1 5%	2 5%	3 7%	1 13%	-	1 7%	-	3 9%	2 9%	2 13%	2 3%	1 6%	2 11%	4 13%	3 18%	-	
HOURLY RATE	3 2%	2 3%	1 6%	1 3%	-	-	-	2 5%	-	1 13%	1 3%	1 7%	-	-	1 4%	-	-	-	2 11%	1 3%	-	-	
NO ANSWER	2 1%	1 2%	-	1 3%	-	-	-	-	-	1 13%	1 3%	1 7%	-	-	-	-	-	-	-	2 6%	-	-	

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT												
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE							PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER								
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100							
ACCT. SERVICES/ COUNSEL & ANALYSIS																														
SERVICE COVERED BY COMPENSATION AGREEMENT	130 96%	60 92%	14 88%	38 95%	4 80%	4 100%	19 100%	36 90%	44 100%	7 88%	29 97%	13 87%	17 94%	33 100%	22 96%	14 93%	58 98%	16 94%	17 89%	30 94%	16 94%	2 67%								
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	3 2%	3 5%	-	2 5%	1 20%	-	-	3 8%	-	-	-	1 7%	1 6%	-	1 4%	-	1 2%	-	2 11%	-	1 6%	1 33%								
COMPENSATED BY:																														
NO ANSWER	3 2%	3 5%	-	2 5%	1 20%	-	-	3 8%	-	-	-	1 7%	1 6%	-	1 4%	-	1 2%	-	2 11%	-	1 6%	1 33%								
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	4 3%	3 5%	1 6%	1 3%	1 20%	-	-	3 8%	-	1 13%	1 3%	3 20%	-	-	-	-	-	-	3 16%	1 3%	1 6%	-								
SUPPLIED IN HOUSE	5 4%	2 3%	1 6%	1 3%	-	-	-	1 3%	2 5%	1 13%	1 3%	1 7%	-	3 9%	-	-	2 3%	-	-	2 6%	1 6%	-								
SUPPLIED OUT-SIDE	6 4%	2 3%	-	2 5%	-	-	1 5%	1 3%	1 2%	2 25%	1 3%	2 13%	-	1 3%	2 9%	-	-	-	2 11%	3 9%	2 12%	-								
COMPENSATED BY:																														
FEE	2 1%	-	-	-	-	-	1 5%	-	-	1 13%	-	-	-	-	2 9%	-	-	-	-	2 6%	1 6%	-								
COST PLUS MARKUP/ MARKUPS	1 1%	-	-	-	-	-	-	1 2%	-	-	-	-	-	1 3%	-	-	-	-	-	-	1 6%	-								
HOURLY RATE	2 1%	1 2%	-	1 3%	-	-	-	1 3%	-	1 13%	1 3%	1 7%	-	-	-	-	-	-	2 11%	-	-	-								
NO ANSWER	1 1%	1 2%	-	1 3%	-	-	-	-	-	-	-	1 7%	-	-	-	-	-	-	-	1 3%	-	-								

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
MEDIA PLANNING																						
SERVICE COVERED BY COMPENSATION AGREEMENT	124 91%	60 92%	15 94%	37 93%	4 80%	4 100%	18 95%	36 90%	39 89%	7 88%	26 87%	13 87%	17 94%	33 100%	20 87%	13 87%	54 92%	15 88%	17 89%	30 94%	16 94%	1 33%
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	3 2%	3 5%	-	2 5%	1 20%	-	-	3 8%	-	-	-	1 7%	1 6%	-	1 4%	-	1 2%	-	2 11%	-	1 6%	1 33%
COMPENSATED BY:																						
NO ANSWER	3 2%	3 5%	-	2 5%	1 20%	-	-	3 8%	-	-	-	1 7%	1 6%	-	1 4%	-	1 2%	-	2 11%	-	1 6%	1 33%
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	9 7%	2 3%	-	2 5%	-	-	2 11%	3 8%	4 9%	1 13%	2 7%	2 13%	-	-	3 13%	2 13%	6 10%	1 6%	1 5%	-	-	1 33%
SUPPLIED IN HOUSE	14 10%	4 6%	1 6%	3 8%	-	-	3 16%	5 13%	6 14%	1 13%	6 20%	-	-	4 12%	2 9%	2 13%	9 15%	1 6%	-	3 9%	2 12%	-
SUPPLIED OUT-SIDE	6 4%	1 2%	-	1 3%	-	-	-	1 3%	3 7%	2 25%	1 3%	2 13%	-	1 3%	2 9%	-	3 5%	-	1 5%	1 3%	1 6%	1 33%
COMPENSATED BY:																						
COMMISSION	1 1%	-	-	-	-	-	-	-	1 2%	-	-	-	-	-	1 4%	-	-	-	-	-	-	1 33%
FEE	3 2%	-	-	-	-	-	-	-	2 5%	1 13%	-	1 7%	-	1 3%	1 4%	-	2 3%	-	-	1 3%	1 6%	-
HOURLY RATE	1 1%	-	-	-	-	-	-	-	-	1 13%	-	1 7%	-	-	-	-	-	-	1 5%	-	-	-
NO ANSWER	1 1%	1 2%	-	1 3%	-	-	-	1 3%	-	-	1 3%	-	-	-	-	-	1 2%	-	-	-	-	-

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMI- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)					PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
MEDIA BUYING																						
SERVICE COVERED BY COMPENSATION AGREEMENT	112 82%	54 83%	11 69%	37 93%	3 60%	3 75%	17 89%	32 80%	36 82%	5 63%	24 80%	11 73%	16 89%	29 88%	19 83%	11 73%	48 81%	14 82%	16 84%	27 84%	13 76%	2 67%
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	7 5%	6 9%	3 19%	1 3%	1 20%	1 25%	- -	4 10%	- -	1 13%	- -	2 13%	2 11%	1 3%	1 4%	1 7%	3 5%	1 6%	2 11%	1 3%	1 6%	- -
COMPENSATED BY:																						
COMMISSION	1 1%	1 2%	1 6%	- -	- -	- -	- -	1 3%	- -	- -	- -	- -	- -	- -	- -	1 7%	1 2%	- -	- -	- -	- -	- -
FEE	1 1%	1 2%	- -	- -	- -	1 25%	- -	- -	- -	- -	- -	- -	- -	1 3%	- -	- -	- -	- -	- -	1 3%	- -	- -
NET COST	1 1%	- -	- -	- -	- -	- -	- -	- -	- -	1 13%	- -	1 7%	- -	- -	- -	- -	- -	- -	1 5%	- -	- -	- -
NO ANSWER	4 3%	4 6%	2 13%	1 3%	1 20%	- -	- -	3 8%	- -	- -	- -	1 7%	2 11%	- -	1 4%	- -	2 3%	1 6%	1 5%	- -	1 6%	- -
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	14 10%	2 3%	- -	1 3%	1 20%	- -	2 11%	3 8%	7 16%	3 38%	5 17%	3 20%	- -	1 3%	3 13%	2 13%	6 10%	1 6%	2 11%	3 9%	3 18%	1 33%
SUPPLIED IN HOUSE	13 10%	2 3%	- -	2 5%	- -	- -	3 16%	4 10%	6 14%	2 25%	6 20%	- -	- -	3 9%	2 9%	2 13%	7 12%	1 6%	1 5%	3 9%	2 12%	- -
SUPPLIED OUT-SIDE	12 9%	2 3%	1 6%	- -	1 20%	- -	2 11%	3 8%	5 11%	3 38%	2 7%	3 20%	- -	4 12%	3 13%	- -	5 8%	- -	2 11%	3 9%	4 24%	1 33%
COMPENSATED BY:																						
COMMISSION	7 5%	1 2%	- -	- -	1 20%	- -	2 11%	2 5%	4 9%	- -	1 3%	2 13%	- -	2 6%	2 9%	- -	3 5%	- -	1 5%	1 3%	2 12%	1 33%
FEE	2 1%	- -	- -	- -	- -	- -	- -	- -	1 2%	1 13%	- -	- -	- -	1 3%	1 4%	- -	1 2%	- -	- -	1 3%	1 6%	- -
HOURLY RATE	1 1%	- -	- -	- -	- -	- -	- -	- -	- -	1 13%	- -	1 7%	- -	- -	- -	- -	- -	- -	1 5%	- -	- -	- -
ALL OTHER MENTIONS	2 1%	1 2%	- -	- -	1 20%	- -	- -	- -	- -	1 13%	1 3%	1 7%	- -	- -	- -	- -	- -	- -	- -	1 3%	2 12%	- -
NO ANSWER	1 1%	1 2%	1 6%	- -	- -	- -	- -	1 3%	- -	- -	- -	- -	- -	1 3%	- -	- -	1 2%	- -	- -	- -	- -	- -

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100							
A-D-R																							
SERVICE COVERED BY COMPENSATION AGREEMENT	68 50%	31 48%	5 31%	23 58%	1 20%	2 50%	13 68%	22 55%	22 50%	2 25%	9 30%	8 53%	10 56%	15 45%	13 57%	11 73%	36 61%	10 59%	5 26%	13 41%	6 35%	-	
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	7 5%	7 11%	3 19%	3 8%	1 20%	-	-	3 8%	-	-	2 7%	-	1 6%	1 3%	1 4%	2 13%	2 3%	1 6%	4 21%	-	-	1 33%	
COMPENSATED BY:																							
COMMISSION	2 1%	2 3%	1 6%	-	1 20%	-	-	2 5%	-	-	1 3%	-	-	-	-	1 7%	1 2%	-	1 5%	-	-	-	
FEE	2 1%	2 3%	-	2 5%	-	-	-	-	-	-	-	-	-	1 3%	-	1 7%	1 2%	-	1 5%	-	-	-	
NO ANSWER	3 2%	3 5%	2 13%	1 3%	-	-	-	1 3%	-	-	1 3%	-	1 6%	-	1 4%	-	-	1 6%	2 11%	-	-	1 33%	
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	43 32%	16 25%	3 19%	11 28%	-	2 50%	5 26%	7 18%	19 43%	3 38%	15 50%	5 33%	4 22%	11 33%	6 26%	2 13%	16 27%	3 18%	6 32%	16 50%	6 35%	-	
SUPPLIED IN HOUSE	6 4%	2 3%	2 13%	-	-	-	1 5%	3 8%	2 5%	1 13%	1 3%	1 7%	-	1 3%	1 4%	2 13%	4 7%	-	-	2 6%	-	-	
SUPPLIED OUT-SIDE	8 6%	2 3%	1 6%	1 3%	-	-	2 11%	3 8%	4 9%	-	2 7%	1 7%	-	4 12%	-	1 7%	5 8%	-	1 5%	2 6%	-	-	
COMPENSATED BY:																							
COMMISSION	3 2%	1 2%	1 6%	-	-	-	1 5%	2 5%	1 2%	-	-	1 7%	-	1 3%	-	1 7%	2 3%	-	-	1 3%	-	-	
FEE	2 1%	-	-	-	-	-	-	-	2 5%	-	-	-	-	2 6%	-	-	1 2%	-	1 5%	-	-	-	
ALL OTHER MENTIONS	3 2%	2 3%	1 6%	1 3%	-	-	1 5%	2 5%	-	-	1 3%	-	-	1 3%	-	1 7%	3 5%	-	-	-	-	-	
NO ANSWER	1 1%	-	-	-	-	-	-	-	1 2%	-	1 3%	-	-	-	-	-	-	-	-	1 3%	-	-	

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED										MOST HEAVILY ADVERTISED PRODUCT													
	FIXED PERCENTAGE						SLID- ING SCALE	CON- MIS- SION+ FEE	FEE BASED ON TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER		
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100								
ADVERTISING PRODUCTION																								
SERVICE COVERED BY COMPENSATION AGREEMENT	121 89%	58 89%	13 81%	38 95%	4 80%	3 75%	17 89%	37 93%	39 88%	7 88%	24 80%	14 93%	17 94%	30 91%	21 91%	13 87%	54 92%	14 82%	18 95%	27 84%	16 94%	3 100%		
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	8 6%	3 5%	1 6%	-	1 20%	1 25%	1 5%	1 3%	4 9%	-	3 10%	-	-	3 9%	1 4%	1 7%	4 7%	-	1 5%	2 6%	1 6%	-		
COMPENSATED BY:																								
COMMISSION	1 1%	-	-	-	-	-	-	-	1 2%	-	1 3%	-	-	-	-	-	1 2%	-	-	-	-	-		
FEE	1 1%	1 2%	-	-	-	1 25%	-	-	-	-	-	-	-	1 3%	-	-	-	-	-	1 3%	-			
NET COST	2 1%	1 2%	-	-	1 20%	-	-	1 3%	1 2%	-	2 7%	-	-	-	-	-	-	-	1 5%	-	1 6%			
ALL OTHER MENTIONS	1 1%	-	-	-	-	-	1 5%	-	-	-	-	-	-	-	-	1 7%	1 2%	-	-	-	-			
NO ANSWER	3 2%	1 2%	1 6%	-	-	-	-	-	2 5%	-	-	-	-	2 6%	1 4%	-	2 3%	-	-	1 3%	-			
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	9 7%	4 6%	1 6%	3 8%	-	-	2 11%	4 10%	2 5%	1 13%	2 7%	3 20%	1 6%	1 3%	2 9%	-	3 5%	3 18%	1 5%	2 6%	-			
SUPPLIED IN HOUSE	10 7%	3 5%	-	3 8%	-	-	2 11%	3 8%	2 5%	3 38%	3 10%	1 7%	1 6%	3 9%	2 9%	-	5 8%	1 6%	1 5%	2 6%	3 18%			
SUPPLIED OUT-SIDE	9 7%	3 5%	1 6%	2 5%	-	-	-	3 8%	3 7%	3 38%	2 7%	2 13%	-	3 9%	1 4%	1 7%	4 7%	1 6%	1 5%	3 9%	1 6%			
COMPENSATED BY:																								
FEE	4 3%	1 2%	-	1 3%	-	-	-	1 3%	2 5%	1 13%	-	1 7%	-	1 3%	1 4%	1 7%	1 2%	1 6%	-	2 6%	1 6%			
HOURLY RATE	1 1%	-	-	-	-	-	-	-	-	1 13%	-	1 7%	-	-	-	-	-	-	1 5%	-	-			
NET COST	1 1%	-	-	-	-	-	-	-	1 2%	-	-	-	-	1 3%	-	-	1 2%	-	-	-	-			
ALL OTHER MENTIONS	1 1%	1 2%	-	1 3%	-	-	-	1 3%	-	-	1 3%	-	-	-	-	-	1 2%	-	-	-	-			
NO ANSWER	2 1%	1 2%	1 6%	-	-	-	-	1 3%	-	1 13%	1 3%	-	-	1 3%	-	-	1 2%	-	-	1 3%	-			

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)					OVER \$100	PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							
SALES PROMOTION																						
SERVICE COVERED BY COMPENSATION AGREEMENT	40 29%	15 23%	1 6%	12 30%	2 40%	-	3 16%	9 23%	18 41%	4 50%	11 37%	5 33%	3 17%	12 36%	3 13%	4 27%	18 31%	5 29%	10 53%	7 22%	6 35%	1 33%
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	17 13%	11 17%	4 25%	6 15%	-	1 25%	2 11%	7 18%	3 7%	1 13%	2 7%	1 7%	2 11%	3 9%	4 17%	5 33%	7 12%	2 12%	1 5%	6 19%	2 12%	-
COMPENSATED BY:																						
FEE	5 4%	1 2%	1 6%	-	-	-	2 11%	2 5%	1 2%	1 13%	-	-	-	-	2 9%	3 20%	1 2%	-	-	4 13%	1 6%	-
COST PLUS MARKUP/ MARKUPS	1 1%	1 2%	-	1 3%	-	-	-	1 3%	-	-	-	-	-	-	-	1 7%	1 2%	-	-	-	-	-
HOURLY RATE	1 1%	1 2%	-	1 3%	-	-	-	1 3%	-	-	1 3%	-	-	-	-	-	-	-	-	-	1 6%	-
ALL OTHER MENTIONS	2 1%	1 2%	-	-	-	1 25%	-	-	1 2%	-	-	-	-	1 3%	1 4%	-	1 2%	-	-	1 3%	-	-
NO ANSWER	8 6%	7 11%	3 19%	4 10%	-	-	-	3 8%	1 2%	-	1 3%	1 7%	2 11%	2 6%	1 4%	1 7%	4 7%	2 12%	1 5%	1 3%	-	-
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	89 65%	45 69%	12 75%	26 65%	4 80%	3 75%	15 79%	27 68%	26 59%	3 38%	17 57%	13 87%	15 83%	20 61%	18 78%	6 40%	39 66%	10 58%	11 58%	21 66%	10 59%	2 67%
SUPPLIED IN HOUSE	41 30%	21 32%	4 25%	13 33%	1 20%	3 75%	9 47%	13 33%	9 20%	2 25%	6 20%	5 33%	7 38%	8 24%	11 48%	4 27%	24 41%	5 29%	2 11%	9 28%	3 18%	-
SUPPLIED OUT-SIDE	60 44%	27 42%	8 50%	15 38%	3 60%	1 28%	9 47%	18 45%	21 48%	3 38%	10 33%	10 67%	9 50%	16 48%	10 43%	5 33%	29 49%	8 47%	8 42%	12 38%	7 41%	1 33%
COMPENSATED BY:																						
FEE	45 33%	21 32%	8 50%	12 30%	1 20%	-	8 42%	14 35%	15 34%	1 13%	7 23%	6 40%	7 39%	13 39%	8 35%	4 27%	23 39%	8 38%	4 21%	10 31%	8 35%	1 33%
COST PLUS MARKUP/ MARKUPS	5 4%	2 3%	-	-	2 40%	-	1 5%	2 5%	2 5%	-	2 7%	-	-	2 6%	1 4%	-	1 2%	1 6%	2 11%	-	1 6%	-
HOURLY RATE	5 4%	2 3%	1 6%	1 3%	-	-	-	2 5%	2 5%	1 13%	1 3%	2 13%	1 6%	-	1 4%	-	1 2%	1 6%	2 11%	1 3%	-	-
ALL OTHER MENTIONS	3 2%	1 2%	-	-	-	1 25%	-	-	2 5%	-	-	1 7%	-	-	1 4%	1 7%	3 5%	-	-	-	-	-
NO ANSWER	3 2%	2 3%	-	2 8%	-	-	-	1 3%	-	1 13%	-	1 7%	1 6%	1 3%	-	-	1 2%	-	-	2 8%	-	-

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT						
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMI- SION NOR FEE	PACK- AGED GOODS	CON- SUMER DUR- ABLES							BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER			
	TOTAL	TOTAL	LESS	MORE	NO																			
			THAN 15%	THAN 15%								ANSWER												
PUBLIC RELATIONS																								
SERVICE COVERED BY COMPENSATION AGREEMENT	12 8%	6 9%	1 6%	3 8%	2 40%	-	1 5%	5 13%	4 8%	1 13%	3 10%	3 20%	1 6%	4 12%	-	-	5 8%	1 6%	5 26%	1 3%	3 18%	1 33%		
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	18 13%	13 20%	4 25%	7 18%	1 20%	1 25%	11 11%	10 25%	3 7%	-	5 17%	1 7%	2 11%	2 6%	4 17%	4 27%	8 14%	4 24%	2 11%	2 6%	2 12%	-		
COMPENSATED BY:																								
FEE	5 4%	3 5%	1 6%	2 5%	-	-	2 11%	4 10%	-	-	-	-	-	1 3%	1 4%	3 20%	2 3%	1 6%	-	2 6%	-	-		
HOURLY RATE	3 2%	2 3%	-	-	1 20%	1 25%	-	1 3%	1 2%	-	2 7%	-	-	-	1 4%	-	1 2%	1 6%	1 5%	-	-	-		
NO ANSWER	10 7%	8 12%	3 19%	5 13%	-	-	-	5 13%	2 5%	-	3 10%	1 7%	2 11%	1 3%	2 9%	1 7%	5 8%	2 12%	1 5%	-	2 12%	-		
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	101 74%	45 69%	9 56%	32 80%	2 40%	2 50%	16 84%	26 65%	35 80%	5 63%	21 70%	11 73%	16 89%	26 79%	18 78%	8 53%	46 78%	11 65%	11 58%	25 78%	12 71%	3 100%		
SUPPLIED IN HOUSE	48 39%	26 40%	7 44%	17 43%	1 20%	1 25%	8 42%	14 35%	11 25%	3 38%	10 33%	4 27%	11 61%	8 24%	9 39%	6 40%	20 34%	8 47%	4 21%	11 34%	9 53%	1 33%		
SUPPLIED OUT-SIDE	55 40%	22 34%	5 31%	14 35%	1 20%	2 50%	8 42%	14 35%	22 50%	3 38%	8 27%	8 53%	8 44%	16 48%	10 43%	5 33%	22 37%	8 47%	6 32%	13 41%	8 47%	2 67%		
COMPENSATED BY:																								
FEE	41 30%	16 25%	5 31%	10 25%	-	1 25%	8 42%	10 25%	16 36%	1 13%	6 20%	3 20%	6 33%	12 36%	10 43%	4 27%	18 31%	7 41%	4 21%	10 31%	4 24%	1 33%		
HOURLY RATE	6 4%	3 5%	-	2 5%	-	1 25%	-	2 5%	2 5%	1 13%	2 7%	2 13%	1 6%	1 3%	-	-	1 2%	1 6%	2 11%	1 3%	1 6%	-		
ALL OTHER MENTIONS	3 2%	-	-	-	-	-	-	-	3 7%	-	-	1 7%	-	1 3%	-	1 7%	2 3%	-	-	-	1 6%	-		
NO ANSWER	5 4%	3 5%	-	2 5%	1 20%	-	-	2 5%	1 2%	1 13%	-	2 13%	1 6%	2 6%	-	-	1 2%	-	-	2 6%	2 12%	3 100%		

TABLE 15 (cont.)

[illegible]

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG		OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100							
YELLOW PAGES EDVERTISING																							
SERVICE COVERED BY COMPENSATION AGREEMENT	12 9%	6 9%	1 6%	5 13%	-	-	1 5%	4 10%	4 9%	1 13%	2 7%	2 13%	-	4 12%	-	3 20%	4 7%	1 6%	2 11%	6 19%	2 12%	-	
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	11 8%	9 14%	3 19%	4 10%	2 40%	-	1 5%	8 20%	1 2%	-	3 10%	1 7%	3 17%	1 3%	2 9%	1 7%	5 8%	2 12%	2 11%	1 3%	1 6%	-	
COMPENSATED BY:																							
COMMISSION	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	1 3%	-	-	-	-	-	-	-	1 5%	-	-	-	
FEE	2 1%	1 2%	1 6%	-	-	-	1 5%	2 5%	-	-	-	-	-	-	1 4%	1 7%	1 2%	-	-	1 3%	-	-	
NO ANSWER	8 6%	7 11%	2 13%	4 10%	1 20%	-	-	5 13%	1 2%	-	2 7%	1 7%	3 17%	1 3%	1 4%	-	4 7%	2 12%	1 5%	-	1 6%	-	
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	98 72%	47 72%	10 63%	31 78%	3 60%	3 75%	12 63%	26 65%	33 75%	6 75%	22 73%	10 67%	14 78%	26 79%	16 70%	9 60%	44 75%	13 76%	13 68%	20 63%	13 76%	2 67%	
SUPPLIED IN HOUSE	6 4%	2 3%	-	2 5%	-	-	-	-	3 7%	1 13%	-	1 7%	3 17%	2 6%	-	-	3 5%	-	1 5%	-	2 12%	-	
SUPPLIED OUT-SIDE	32 24%	17 26%	3 19%	14 35%	-	-	3 16%	8 20%	11 25%	1 13%	5 17%	4 27%	9 50%	8 24%	5 22%	1 7%	1 2%	9 53%	4 21%	15 47%	6 35%	-	
COMPENSATED BY:																							
COMMISSION	12 9%	4 6%	1 6%	3 8%	-	-	1 5%	3 8%	7 16%	-	3 10%	2 13%	4 22%	1 3%	2 9%	-	1 2%	3 18%	-	6 19%	2 12%	-	
FEE	12 9%	7 11%	2 13%	5 13%	-	-	-	3 8%	4 9%	1 13%	1 3%	1 7%	3 17%	5 15%	1 4%	1 7%	-	3 18%	4 21%	4 13%	4 24%	-	
COST PLUS MARKUP/ MARKUPS	1 1%	1 2%	-	1 3%	-	-	-	-	-	-	1 3%	-	-	-	-	-	-	-	-	1 3%	-	-	
NO ANSWER	7 5%	5 8%	-	5 13%	-	-	2 11%	2 5%	-	-	-	1 7%	2 11%	2 6%	2 9%	-	-	3 18%	-	4 13%	-	-	

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED										ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- SION NOR FEE	PACK- AGED GOODS							CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%						NO ANSWER											
NEW PRODUCT DEVELOPMENT																						
SERVICE COVERED BY COMPENSATION AGREEMENT	33 24%	17 26%	5 31%	12 30%	-	-	3 16%	11 28%	12 27%	1 13%	4 13%	1 7%	5 28%	9 27%	5 22%	8 53%	25 42%	4 24%	3 16%	2 6%	1 6%	-
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	14 10%	11 17%	4 25%	4 10%	2 40%	1 25%	3 16%	7 18%	-	-	3 10%	-	1 6%	2 6%	3 13%	5 33%	6 10%	1 6%	3 16%	3 9%	1 6%	1 33%
COMPENSATED BY:																						
FEE	4 3%	3 5%	1 6%	2 5%	-	-	1 5%	2 5%	-	-	-	-	-	-	2 9%	2 13%	3 5%	-	-	1 3%	-	-
COST PLUS MARKUP/ MARKUPS	1 1%	1 2%	-	1 3%	-	-	-	1 3%	-	-	-	-	-	-	1 4%	-	-	-	1 5%	-	-	1 33%
HOURLY RATE	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	1 3%	-	-	-	-	-	-	-	1 5%	-	-	-
ALL OTHER MENTIONS	2 1%	1 2%	-	-	-	1 25%	1 5%	1 3%	-	-	-	-	-	-	-	2 13%	2 3%	-	-	-	-	-
NO ANSWER	6 4%	5 8%	3 19%	1 3%	1 20%	-	1 5%	2 5%	-	-	2 7%	-	1 6%	2 6%	-	1 7%	1 2%	1 6%	1 5%	2 6%	1 6%	-
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	88 65%	37 57%	6 38%	26 65%	3 60%	2 50%	14 74%	24 60%	30 68%	7 88%	23 77%	12 80%	13 72%	24 73%	11 48%	4 27%	35 99%	10 59%	11 58%	24 75%	14 82%	1 33%
SUPPLIED IN HOUSE	31 23%	12 18%	2 13%	8 20%	1 20%	1 25%	5 26%	7 18%	11 25%	3 38%	5 17%	5 33%	8 44%	5 15%	6 26%	2 13%	15 25%	5 28%	3 16%	7 22%	3 18%	-
SUPPLIED OUT-SIDE	11 8%	4 6%	-	4 10%	-	-	1 5%	2 5%	5 11%	1 13%	3 10%	2 13%	3 17%	2 6%	-	1 7%	6 10%	2 12%	1 5%	2 6%	-	-
COMPENSATED BY:																						
FEE	6 4%	2 3%	-	2 5%	-	-	1 5%	2 5%	3 7%	-	1 3%	-	3 17%	1 3%	-	1 7%	3 5%	1 6%	-	2 6%	-	-
HOURLY RATE	1 1%	-	-	-	-	-	-	-	-	1 13%	-	1 7%	-	-	-	-	-	-	1 5%	-	-	-
ALL OTHER MENTIONS	1 1%	1 2%	-	1 3%	-	-	-	-	-	-	1 3%	-	-	-	-	-	1 2%	-	-	-	-	-
NO ANSWER	3 2%	1 2%	-	1 3%	-	-	-	-	2 5%	-	1 3%	1 7%	-	1 3%	-	-	2 3%	1 6%	-	-	-	-

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED										ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT									
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	PACK- AGED GOODS							CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER					
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%						NO ANSWER															
												0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99						OVER \$100				
MARKETING AND ADVERTISING RESEARCH																										
SERVICE COVERED BY COMPENSATION AGREEMENT	72 53%	38 58%	6 38%	28 70%	2 40%	2 50%	12 63%	23 58%	19 43%	3 38%	8 27%	5 33%	10 56%	20 61%	18 78%	9 60%	33 56%	5 29%	8 42%	19 59%	12 71%	3 100%				
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	22 16%	15 23%	5 31%	6 15%	3 60%	1 25%	3 16%	11 28%	4 9%	-	7 23%	4 27%	2 11%	5 15%	3 13%	1 7%	10 17%	3 18%	3 16%	4 13%	3 18%	-				
COMPENSATED BY:																										
FEE	10 7%	6 9%	2 13%	3 8%	-	1 25%	2 11%	5 13%	2 5%	-	2 7%	3 20%	-	2 6%	2 9%	1 7%	4 7%	2 12%	-	3 9%	1 6%	-				
COST PLUS MARKUP/ MARKUPS	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	-	1 7%	-	-	-	-	-	-	1 5%	-	1 6%	-				
HOURLY RATE	2 1%	2 3%	-	1 3%	1 20%	-	-	2 5%	-	-	2 7%	-	-	-	-	-	-	-	1 5%	-	1 6%	-				
NO ANSWER	9 7%	6 9%	3 19%	2 5%	1 20%	-	1 5%	3 8%	2 5%	-	3 10%	-	2 11%	3 9%	1 4%	-	6 10%	1 6%	1 5%	1 3%	-	-				
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	61 45%	22 34%	3 19%	14 35%	3 60%	2 50%	10 53%	16 40%	25 57%	4 50%	16 53%	10 67%	10 56%	12 36%	8 35%	5 33%	30 51%	9 53%	8 42%	10 31%	5 29%	1 33%				
SUPPLIED IN HOUSE	54 40%	24 37%	5 31%	15 38%	2 40%	2 50%	10 53%	19 48%	16 36%	4 50%	7 23%	9 60%	9 50%	13 39%	9 39%	7 47%	30 51%	8 47%	5 26%	11 34%	4 24%	1 33%				
SUPPLIED OUT-SIDE	44 32%	20 31%	3 19%	12 30%	4 80%	1 25%	3 16%	14 35%	17 39%	4 50%	10 33%	7 47%	6 33%	11 33%	7 30%	3 20%	17 29%	4 24%	8 42%	10 31%	7 41%	1 33%				
COMPENSATED BY:																										
FEE	31 23%	14 22%	3 19%	9 23%	2 40%	-	3 16%	11 28%	12 27%	2 25%	7 23%	2 13%	5 28%	9 27%	6 26%	2 13%	13 22%	3 18%	3 16%	9 28%	4 24%	-				
COST PLUS MARKUP/ MARKUPS	2 1%	1 2%	-	-	1 20%	-	-	1 3%	1 2%	-	1 3%	1 7%	-	-	-	-	-	-	2 11%	-	1 6%	-				
HOURLY RATE	2 1%	1 2%	-	1 3%	-	-	-	1 3%	-	1 13%	1 3%	1 7%	-	-	-	-	-	-	2 11%	-	-	-				
ALL OTHER MENTIONS	1 1%	-	-	-	-	-	-	-	1 2%	-	-	-	-	-	-	1 7%	1 2%	-	-	-	-	-				
NO ANSWER	8 6%	4 6%	-	2 5%	1 20%	1 25%	-	1 3%	3 7%	1 13%	1 3%	3 20%	1 6%	2 6%	1 4%	-	3 5%	1 6%	1 5%	1 3%	2 12%	1 33%				

TABLE 15 (cont.)

	COMPENSATION AGREEMENT REPORTED										MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON TIRELY	NEITHER COMMISS- ION NOR FEE		ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15% THAN 15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
ETHNIC/MINORITY ADVERTISING																						
SERVICE COVERED BY COMPENSATION AGREEMENT	59 43%	29 45%	7 44%	18 45%	2 40%	2 50%	14 74%	23 58%	15 34%	1 13%	7 23%	3 20%	6 33%	15 45%	15 65%	11 73%	35 59%	5 28%	4 21%	10 31%	11 65%	2 67%
SUPPLIED BY AGENCY BUT NOT COVERED BY COMPENSATION AGREEMENT	6 4%	6 9%	2 13%	2 5%	2 40%	-	-	3 8%	-	-	3 10%	1 7%	1 6%	1 3%	-	-	2 3%	2 12%	2 11%	-	-	-
COMPENSATED BY:																						
COMMISSION	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	1 3%	-	-	-	-	-	-	-	1 5%	-	-	-
NO ANSWER	5 4%	5 8%	2 13%	2 5%	1 20%	-	-	2 5%	-	-	2 7%	1 7%	1 6%	1 3%	-	-	2 3%	2 12%	1 5%	-	-	-
NOT SUPPLIED BY AGENCY OR NOT USED BY AGENCY	74 54%	31 48%	6 38%	21 53%	1 20%	3 75%	6 32%	17 43%	30 68%	7 88%	20 67%	11 73%	11 61%	19 58%	9 39%	4 27%	28 47%	10 39%	11 58%	21 66%	5 28%	1 33%
SUPPLIED IN HOUSE	10 7%	5 8%	1 6%	3 8%	-	1 25%	2 11%	3 8%	1 2%	2 25%	2 7%	-	2 11%	1 3%	2 9%	3 20%	6 10%	-	1 5%	2 6%	2 12%	-
SUPPLIED OUT-SIDE	19 14%	8 12%	1 6%	6 15%	-	1 25%	2 11%	5 13%	8 18%	1 13%	5 17%	1 7%	1 6%	4 12%	7 30%	1 7%	9 15%	3 18%	2 11%	5 16%	2 12%	1 33%
COMPENSATED BY:																						
COMMISSION	2 1%	2 3%	-	2 5%	-	-	-	2 5%	-	-	-	-	-	1 3%	1 4%	-	1 2%	-	-	1 3%	-	-
FEE	10 7%	3 5%	1 6%	1 3%	-	1 25%	2 11%	2 5%	4 9%	1 13%	-	1 7%	1 6%	3 9%	5 22%	-	4 7%	2 12%	1 5%	3 8%	2 12%	1 33%
COST PLUS MARKUP/ MARKUPS	1 1%	-	-	-	-	-	-	-	1 2%	-	1 3%	-	-	-	-	-	-	-	1 5%	-	-	-
ALL OTHER MENTIONS	5 4%	2 3%	-	2 5%	-	-	-	1 3%	3 7%	-	4 13%	-	-	-	-	1 7%	4 7%	1 6%	-	-	-	-
NO ANSWER	1 1%	1 2%	-	1 3%	-	-	-	-	-	-	-	-	-	-	1 4%	-	-	-	-	1 3%	-	-

TABLE 16

Q.13 THERE ARE SEVERAL WAYS FOR AGENCIES TO HANDLE OUT-OF-POCKET COSTS RELATED TO DAY-TO-DAY OPERATIONS. THEY MAY BE BILLED TO CLIENTS WITH OR WITHOUT MARKUP, OR THEY MAY BE ABSORBED BY THE AGENCY. HOW ARE THESE EXPENSES HANDLED UNDER YOUR AGENCY COMPENSATION ARRANGEMENT?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
			15%	15%	15%	15%																	
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%		30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%
AGENCY TRAVEL REQUIRED BY CLIENT																							
BILLED TO ADVERTISER: NO MARKUP	99 73%	42 65%	12 75%	24 60%	3 60%	3 75%	14 74%	25 63%	38 86%	5 63%		24 80%	11 73%	14 78%	21 64%	19 83%	9 60%	38 64%	14 82%	16 84%	24 75%	13 76%	3 100%
BILLED TO ADVERTISER: WITH MARKUP	9 7%	5 8%	- -	5 13%	- -	- -	2 11%	4 10%	1 2%	1 13%		2 7%	- -	1 6%	3 9%	2 9%	1 7%	5 8%	- -	1 5%	3 9%	1 6%	- -
NOT BILLED TO ADVERTISER BY AGENCY	31 23%	19 29%	5 31%	11 28%	2 40%	1 25%	5 26%	13 33%	7 16%	- -		2 7%	4 27%	4 22%	13 39%	3 13%	4 27%	19 32%	4 24%	3 16%	3 9%	3 18%	- -
DON'T KNOW	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -		- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
NO ANSWER	4 3%	2 3%	1 6%	1 3%	- -	- -	- -	1 3%	- -	2 25%		2 7%	- -	- -	1 3%	- -	1 7%	1 2%	- -	1 5%	2 6%	- -	- -

TABLE 17

Q.16 DO YOU HAVE A FORMAL CONTRACT OR MEMORANDUM OF AGREEMENT WITH THE ADVERTISING AGENCY OR AGENCIES COVERED UNDER THE COMPENSATION AGREEMENT YOU HAVE DESCRIBED ABOVE?

	COMPENSATION AGREEMENT REPORTED											ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON TIRELY	NEITHER COMMI- SION NOR FEE	0-\$4							\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100	PACK- AGED GOODS
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER																	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER																	
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	100%	
YES, HAVE A FORMAL CONTRACT	121 89%	55 85%	15 94%	32 80%	5 100%	3 75%	19 100%	37 93%	42 95%	5 63%	26 87%	13 87%	16 89%	30 91%	23 100%	12 80%	53 90%	16 94%	17 89%	27 84%	16 94%	100%	
NO, DO NOT	13 10%	9 14%	-	8 20%	-	1 25%	-	3 8%	2 5%	2 25%	3 10%	2 13%	2 11%	2 6%	-	3 20%	6 10%	1 6%	2 11%	3 9%	1 6%		
NO ANSWER	2 1%	1 2%	1 6%	-	-	-	-	-	-	1 13%	1 3%	-	-	1 3%	-	-	-	-	-	2 6%	-		
IF YES: WHAT IS THE TERM OR LENGTH OF THAT AGREEMENT?																							
ANNUAL	29 21%	12 18%	7 44%	2 5%	2 40%	1 25%	1 5%	6 15%	14 32%	2 25%	5 17%	4 27%	5 28%	9 27%	3 13%	3 20%	11 19%	4 24%	6 32%	7 22%	5 29%		
ANNUAL WITH SPECIFIED TERMINATION PERIOD	5 4%	2 3%	-	2 5%	-	-	-	2 5%	2 5%	1 13%	2 7%	-	1 6%	2 6%	-	-	2 3%	-	2 11%	1 3%	1 6%		
OTHER THAN ANNUAL TERM	6 4%	2 3%	-	2 5%	-	-	1 5%	2 5%	3 7%	-	-	1 7%	-	3 9%	1 4%	1 7%	3 5%	1 6%	-	-	2 12%		
OTHER THAN ANNUAL TERM WITH SPECIFIED TERMINATION PERIOD	3 2%	1 2%	-	1 3%	-	-	-	-	2 5%	-	1 3%	1 7%	-	1 3%	-	-	1 2%	-	1 5%	1 3%	-		
NO SPECIFIED TERM	26 19%	16 25%	4 25%	11 28%	1 20%	-	8 42%	10 25%	2 5%	-	5 17%	2 13%	4 22%	5 15%	5 22%	4 27%	14 24%	4 24%	2 11%	4 13%	4 24%		
NO SPECIFIED TERM, WITH SPECIFIED TERMINATION PERIOD	24 18%	10 15%	3 19%	6 15%	1 20%	-	5 26%	8 20%	7 16%	2 25%	7 23%	2 13%	2 11%	3 9%	9 39%	1 7%	10 17%	4 24%	3 16%	5 16%	3 18%	67%	
NO ANSWER	28 21%	12 18%	1 6%	8 20%	1 20%	2 50%	4 21%	9 23%	12 27%	-	6 20%	3 20%	4 22%	7 21%	5 22%	3 20%	12 20%	3 18%	3 16%	8 28%	1 6%	37%	

TABLE 18

9.17 DOES YOUR COMPANY SEND AUDITORS TO YOUR AGENCY (OR AGENCIES) TO EXAMINE THE FINANCIAL RECORDS PERTAINING TO YOUR ACCOUNT?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON EN- TYRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%	
YES, COMPANY SENDS OUT AUDITORS	94 69%	48 74%	9 56%	31 78%	5 100%	3 75%	13 68%	31 78%	31 70%	2 25%	15 50%	10 67%	13 72%	23 70%	20 87%	11 73%	47 80%	14 82%	11 58%	15 47%	12 71%	3 100%	
NO, DO NOT	38 28%	16 25%	6 38%	9 23%	-	1 25%	6 32%	9 23%	11 25%	5 63%	13 43%	5 33%	5 28%	8 24%	3 13%	4 27%	12 20%	3 18%	8 42%	13 41%	5 29%	-	
NO ANSWER	4 3%	1 2%	1 6%	-	-	-	-	-	2 5%	1 13%	2 7%	-	-	2 6%	-	-	-	-	-	4 13%	-	-	
IF YES: PLEASE CHECK FREQUENCY OF EXAMI- NATION																							
ANNUALLY	38 28%	17 26%	4 25%	12 30%	-	1 25%	8 42%	10 25%	12 27%	1 13%	2 7%	2 13%	5 28%	7 21%	13 57%	7 47%	19 32%	6 35%	5 26%	7 22%	3 18%	2 67%	
SEMIANNUALLY	10 7%	6 9%	1 6%	2 5%	2 40%	1 25%	1 5%	4 10%	3 7%	-	1 3%	1 7%	-	6 18%	1 4%	1 7%	6 10%	-	2 11%	1 3%	2 12%	-	
BIANNUALLY	7 5%	2 3%	2 13%	-	-	-	1 5%	1 3%	4 9%	-	1 3%	-	1 6%	3 9%	2 9%	-	3 5%	2 12%	-	1 3%	1 6%	-	
IRREGULARLY	27 20%	15 23%	1 6%	12 30%	1 20%	1 25%	2 11%	9 23%	9 20%	1 13%	9 30%	4 27%	3 17%	6 18%	2 9%	3 20%	13 22%	4 24%	3 16%	4 13%	4 24%	-	
LESS OFTEN THAN ONCE EVERY TWO YEARS	7 5%	6 9%	1 6%	3 8%	2 40%	-	-	4 10%	1 2%	-	-	3 20%	2 11%	1 3%	1 4%	-	2 3%	2 12%	1 5%	1 3%	2 12%	1 33%	
OTHER	2 1%	-	-	-	-	-	-	-	2 5%	-	1 3%	1 7%	-	-	-	-	1 2%	1 6%	-	-	-	-	
NO ANSWER	13 10%	8 12%	1 6%	5 13%	2 40%	-	1 5%	6 15%	3 7%	1 13%	6 20%	2 13%	2 11%	2 6%	1 4%	-	5 8%	2 12%	3 16%	1 3%	4 24%	-	

TABLE 18 (cont.)

Q.17 DOES YOUR COMPANY SEND AUDITORS TO YOUR AGENCY (OR AGENCIES) TO EXAMINE THE FINANCIAL RECORDS PERTAINING TO YOUR ACCOUNT?

IF YES: WHO CONDUCTS SUCH AUDITS?

	COMPENSATION AGREEMENT REPORTED											ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT							
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	0-\$4	\$5-9							\$10- 19	\$20- 49	\$50- 99	OVER \$100	PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%							NO ANSWER													
YES: WHO CONDUCTS H AUDITS?																									
COMPANY'S INTERNAL AUDITORS	82 60%	41 63%	9 56%	27 68%	3 60%	2 50%	11 58%	25 63%	28 64%	2 25%	13 43%	10 67%	11 61%	18 55%	19 83%	9 60%	44 75%	12 71%	9 47%	10 31%	12 71%	3 100%			
ADVERTISING DEPART- MENT PERSONNEL	9 7%	1 2%	-	1 3%	-	-	3 16%	2 5%	4 9%	1 13%	-	2 13%	2 11%	-	4 17%	1 7%	3 5%	1 6%	1 5%	3 9%	-	1 33%			
PUBLIC ACCOUNTANTS	7 5%	3 5%	-	2 5%	-	1 25%	-	1 3%	4 9%	-	-	-	-	4 12%	1 4%	2 13%	3 5%	1 6%	1 5%	2 6%	-	-			
MARKETING AND FINANCE PERSONNEL	5 4%	3 5%	-	3 8%	-	-	2 11%	2 5%	-	-	3 10%	-	-	1 3%	-	1 7%	5 8%	-	-	-	1 6%	-			
FINANCIAL ANALYST	1 1%	1 2%	-	-	1 20%	-	-	1 3%	-	-	-	-	-	1 3%	-	-	1 2%	-	-	-	-	-			
ALL OTHER SINGLE MENTIONS	2 1%	-	-	-	-	-	-	-	1 2%	1 13%	-	1 7%	1 6%	-	-	-	1 2%	-	1 5%	-	-	-			
NO ANSWER	6 4%	5 8%	-	3 8%	2 40%	-	-	5 13%	1 2%	-	2 7%	-	2 11%	2 6%	-	-	3 5%	1 6%	1 5%	1 3%	-	-			

TABLE 19

Q.18 HOW LONG HAS YOUR CURRENT AGENCY COMPENSATION AGREEMENT BEEN IN EFFECT?

	COMPENSATION AGREEMENT REPORTED											ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	PACK- AGED GOODS							CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER																	
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%	
LESS THAN ONE YEAR	24 18%	9 14%	3 19%	6 15%	- -	- -	3 16%	8 20%	10 23%	2 25%	6 20%	3 20%	4 22%	5 15%	4 17%	2 13%	7 12%	1 6%	4 21%	10 31%	3 18%	1 33%	
1 - 3 YEARS	57 42%	26 40%	11 69%	11 28%	3 60%	1 25%	9 47%	17 43%	19 43%	3 38%	11 37%	8 53%	8 44%	16 48%	9 39%	5 33%	26 44%	8 47%	9 47%	12 38%	6 35%	-	
4 - 10 YEARS	34 25%	15 23%	1 6%	10 25%	1 20%	3 75%	6 32%	7 18%	11 25%	2 25%	8 27%	2 13%	2 11%	8 24%	8 35%	5 33%	17 29%	5 29%	4 21%	6 19%	5 29%	2 67%	
MORE THAN 10 YEARS	18 13%	14 22%	- -	13 33%	1 20%	- -	1 5%	8 20%	3 7%	- -	3 10%	2 13%	4 22%	3 9%	2 9%	3 20%	9 15%	2 12%	1 5%	3 9%	3 18%	-	
NO ANSWER	3 2%	1 2%	1 6%	- -	- -	- -	- -	- -	1 2%	1 13%	2 7%	- -	- -	1 3%	- -	- -	- -	1 6%	1 5%	1 3%	- -	- -	

TABLE 20

Q.14 DOES YOUR ADVERTISING AGENCY REVIEW FINANCIAL INFORMATION WITH
YOU CONCERNING THE PROFITABILITY OF YOUR ACCOUNT?

	COMPENSATION AGREEMENT REPORTED											ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	0-\$4							\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100	PACK- AGED GOODS
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER																	
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%	
YES, REVIEWS FINANCIAL INFORMATION	81 60%	39 60%	12 75%	20 50%	4 80%	3 75%	10 53%	31 78%	27 61%	5 63%	16 53%	10 67%	9 50%	23 70%	12 52%	11 73%	37 63%	12 71%	18 95%	11 34%	10 59%	1 33%	
IF YES:																							
BY BRAND	19 14%	7 11%	2 13%	4 10%	-	1 25%	2 11%	5 13%	9 20%	1 13%	1 3%	-	-	9 27%	5 22%	4 27%	11 19%	1 6%	4 21%	2 6%	2 12%	-	
BY OPERATING UNIT	20 15%	9 14%	1 6%	6 15%	1 20%	1 25%	1 5%	5 13%	9 20%	1 13%	4 13%	1 7%	3 17%	6 18%	3 13%	3 20%	7 12%	3 18%	4 21%	3 9%	6 35%	-	
FOR TOTAL ACCOUNT ONLY	47 35%	26 40%	8 50%	13 33%	4 80%	1 25%	6 32%	22 55%	11 25%	4 50%	11 37%	9 60%	5 28%	11 33%	5 22%	6 40%	17 28%	8 47%	15 79%	7 22%	6 35%	1 33%	
NO ANSWER	5 4%	2 3%	1 6%	1 3%	-	-	1 5%	2 5%	1 2%	1 13%	-	1 7%	1 6%	2 6%	1 4%	-	4 7%	-	-	1 3%	-	-	
NO, DOES NOT REVIEW FINANCIAL INFORMATION	50 37%	24 37%	3 19%	19 48%	1 20%	1 25%	9 47%	9 23%	15 34%	2 25%	12 40%	5 33%	8 44%	9 27%	11 48%	3 20%	20 34%	5 29%	1 5%	18 56%	7 41%	2 67%	
IF NO: HAVE YOU ASKED FOR THIS INFORMATION YES, HAVE ASKED	8 6%	3 5%	1 6%	2 5%	-	-	1 5%	3 8%	4 9%	-	2 7%	-	1 6%	1 3%	3 13%	1 7%	2 3%	-	-	5 16%	1 6%	-	
NO, HAVE NOT ASKED	34 25%	18 28%	2 13%	16 40%	-	-	6 32%	5 13%	8 18%	2 25%	9 30%	4 27%	7 39%	5 15%	8 35%	-	16 27%	4 24%	1 5%	10 31%	4 24%	1 33%	
NO ANSWER	8 6%	3 5%	-	1 3%	1 20%	1 25%	2 11%	1 3%	3 7%	-	1 3%	1 7%	-	3 9%	-	2 13%	2 3%	1 6%	-	3 9%	2 12%	1 33%	
WE HAVE MORE THAN ONE ADVERTISING AGENCY; SOME REVIEW SUCH DATA WITH US AND SOME DO NOT	16 12%	10 15%	3 18%	5 13%	2 40%	-	3 16%	7 18%	1 2%	2 25%	4 13%	2 13%	1 6%	3 9%	3 13%	3 20%	12 20%	1 6%	3 16%	-	3 18%	-	
NO ANSWER	3 2%	1 2%	1 6%	-	-	-	-	-	1 2%	1 13%	2 7%	-	-	1 3%	-	-	-	-	-	3 9%	-	-	

TABLE 21

Q.6 ARE THE FEES YOU PAY TO THE AGENCY:
 BASE: RESPONDENTS WHO USE A FEE-BASED SYSTEM FOR AGENCIES

	COMPENSATION AGREEMENT REPORTED				ADVERTISING EXPENDITURE (IN MILLIONS)								MOST HEAVILY ADVERTISED PRODUCT						
	TOTAL	COM- MIS- SION+	FEE BASED EN- TIRELY	NEITHER COMMI- SION NOR FEE									PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
		FEE																	
					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100									
TOTAL RESPONDENTS	92 100%	40 100%	44 100%	8 100%	25 100%	12 100%	10 100%	24 100%	13 100%	8 100%	41 100%	9 100%	15 100%	19 100%	13 100%	3 100%			
BASED ON A PRIOR ESTI- MATE OF THE COST OF AGENCY LABOR THAT WILL BE REQUIRED, PLUS AGENCY OVERHEAD, PLUS AGENCY PROFIT?	62 67%	25 63%	33 75%	4 50%	15 60%	8 67%	8 80%	18 75%	8 62%	5 63%	27 66%	6 67%	10 67%	13 68%	6 46%	2 67%			
A COST-PLUS ARRANGEMENT (NO ADVANCE BUDGET ESTI- MATE: AGENCY COSTS ARE BILLED AS ACCUMULATED, INCLUDING AGENCY OVER- HEAD AND PROFIT?)	6 7%	5 13%	1 2%	-	3 12%	1 8%	-	-	1 8%	1 13%	1 2%	-	1 7%	3 16%	3 23%	1 33%			
A FIXED FEE FOR THE PRODUCT (FLAT DOLLAR ESTIMATE OR BILL WITHOUT DETAIL?)	12 13%	3 8%	9 20%	-	4 16%	2 17%	-	4 17%	2 15%	-	6 15%	3 33%	1 7%	-	4 31%	-			
OTHER	8 9%	4 10%	1 2%	3 38%	2 8%	2 17%	1 10%	2 8%	1 8%	-	5 12%	-	2 13%	1 5%	1 8%	-			
NO ANSWER	6 7%	5 13%	-	1 13%	1 4%	-	1 10%	1 4%	1 8%	2 25%	3 7%	-	1 7%	2 11%	-	1 33%			

TABLE 22

Q.7 DOES YOUR AGENCY COMPENSATION AGREEMENT REQUIRE A RECONCILIATION
BETWEEN ACTUAL AGENCY COST AND FEES PAID TO THE AGENCY?
BASE: RESPONDENTS WHO USE A FEE-BASED SYSTEM FOR AGENCIES

	COMPENSATION AGREEMENT REPORTED				ADVERTISING EXPENDITURE (IN MILLIONS)							MOST HEAVILY ADVERTISED PRODUCT						
	TOTAL	COM- MIS- SION+	FEE BASED- EN- TIRELY	NEITHER COMMIS- SION NOR FEE	0-\$4	\$5-9	\$10-	\$20-	\$50-	OVER	PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER		
		FEE					19	49	99	\$100								
TOTAL RESPONDENTS	92 100%	40 100%	44 100%	8 100%	25 100%	12 100%	10 100%	24 100%	13 100%	8 100%	41 100%	9 100%	15 100%	19 100%	13 100%	3 100%		
YES, REQUIRES A RECONCILIATION	38 41%	18 45%	17 39%	3 38%	7 28%	6 50%	6 60%	9 38%	6 46%	4 50%	15 37%	3 33%	8 53%	9 47%	7 54%	2 67%		
NO, DOES NOT REQUIRE A RECONCILIATION	50 54%	19 48%	27 61%	4 50%	17 68%	6 50%	3 30%	15 63%	7 54%	2 25%	24 59%	6 67%	7 47%	8 42%	6 46%	1 33%		
NO ANSWER	4 4%	3 8%	-	1 13%	1 4%	-	1 10%	-	-	2 25%	2 5%	-	-	2 11%	-	-		

TABLE 23

Q.B WHEN CIRCUMSTANCES WARRANT, DO YOU ALLOW FOR THE RENEGOTIATION OF FEES?
 BASE: RESPONDENTS WHO USE A FEE-BASED SYSTEM FOR AGENCIES

	COMPENSATION AGREEMENT REPORTED				ADVERTISING EXPENDITURE (IN MILLIONS)							MOST HEAVILY ADVERTISED PRODUCT						
	TOTAL	COM-MIS-SION+ FEE	FEE BASED EN-TIRELY	NEITHER COMMISS-ION NOR FEE								PACK-AGED GOODS	CON-SUMER DUR-ABLES	BUSI-NESS TO BUSI-NESS	SER-VICES	COR-POR-ATE ADVTG	OTHER	
					0-\$4	\$5-9	\$10-19	\$20-49	\$50-99	OVER \$100								
TOTAL RESPONDENTS	92 100%	40 100%	44 100%	8 100%	25 100%	12 100%	10 100%	24 100%	13 100%	8 100%	41 100%	9 100%	15 100%	19 100%	13 100%	3 100%		
YES, ALLOW RENEGOTIATION OF FEES	81 88%	34 85%	40 91%	7 88%	22 88%	11 92%	8 80%	22 92%	12 92%	6 75%	36 88%	9 100%	14 93%	17 89%	10 77%	2 67%		
NO, DO NOT ALLOW RENEGOTIATION OF FEES	4 4%	2 5%	2 5%	-	-	-	2 20%	2 8%	-	-	2 5%	-	-	-	2 15%	-		
DON'T KNOW	2 2%	1 3%	1 2%	-	1 4%	-	-	-	1 8%	-	1 2%	-	-	1 5%	-	-		
NO ANSWER	5 5%	3 8%	1 2%	1 13%	2 8%	1 8%	-	-	-	2 25%	2 5%	-	1 7%	1 5%	1 8%	1 33%		
IF YES, TO RENEGOTIATE: WITHIN WHAT TIME FRAME IS THIS DONE?																		
ANNUALLY	42 46%	16 40%	22 50%	4 50%	14 56%	7 58%	4 40%	9 38%	7 54%	1 13%	15 37%	5 56%	9 60%	9 47%	6 46%	1 33%		
SEMI-ANNUALLY	9 10%	2 5%	7 16%	-	3 12%	1 8%	1 10%	2 8%	1 8%	1 13%	5 12%	1 11%	2 13%	1 5%	1 8%	-		
OTHER	28 30%	15 38%	11 25%	2 25%	5 20%	3 25%	2 20%	11 46%	3 23%	4 50%	16 39%	3 33%	2 13%	6 32%	3 23%	1 33%		
NO ANSWER	2 2%	1 3%	-	1 13%	-	-	1 10%	-	1 8%	-	-	-	1 7%	1 5%	-	-		

TABLE 24

Q.20 A MOST IMPORTANT FINAL QUESTION.
WHAT GENERAL OR SPECIFIC CONCERNS DO YOU HAVE ABOUT CURRENT
AGENCY COMPENSATION PRACTICES?

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
TOTAL RESPONDENTS	136 100%	65 100%	16 100%	40 100%	5 100%	4 100%	19 100%	40 100%	44 100%	8 100%	30 100%	15 100%	18 100%	33 100%	23 100%	15 100%	59 100%	17 100%	19 100%	32 100%	17 100%	3 100%
CONCERNS RELATING TO ADVERTISING AGENCY, COST OF ADVERTISING AGENCY SERVICE (NET)	37 27%	12 18%	4 25%	7 18%	1 20%	- -	4 21%	7 18%	18 41%	3 38%	9 30%	7 47%	4 22%	8 24%	5 22%	4 27%	14 24%	5 29%	4 21%	8 28%	6 35%	1 33%
ADVERTISING AGENCY COST, TIME SHEET, OVERHEAD, PROFIT DATA ARE UNRELIABLE, HARD TO UNDERSTAND, INACCURATE	14 10%	2 3%	- -	2 5%	- -	- -	1 5%	2 5%	10 23%	1 13%	5 17%	2 13%	2 11%	2 6%	1 4%	2 13%	4 7%	1 6%	2 11%	5 16%	3 18%	- -
THERE ARE NO ACCEPT- ABLE GUIDELINES FOR ADEQUATE, APPROPRIATE, FAIR AGENCY PROFIT	11 8%	4 6%	2 13%	2 5%	- -	- -	2 11%	3 8%	3 7%	2 25%	1 3%	2 13%	2 11%	- -	4 17%	2 13%	5 8%	1 6%	2 11%	2 6%	- -	1 33%
ADVERTISING AGENCIES MAKE TOO LITTLE, NO EFFORT TO CONTAIN THEIR COSTS	7 5%	3 5%	- -	2 5%	1 20%	- -	1 5%	- -	2 5%	1 13%	1 3%	1 7%	1 6%	3 9%	- -	1 7%	2 3%	1 6%	1 5%	2 6%	1 6%	- -
ADVERTISING AGENCIES HAVE NOT DOCUMENTED THE VALUE OF ADVERTIS- ING AGENCY SERVICES	5 4%	1 2%	- -	1 3%	- -	- -	- -	- -	3 7%	1 13%	2 7%	1 7%	- -	2 6%	- -	- -	- -	1 6%	1 5%	2 6%	1 6%	- -
ADVERTISING AGENCIES MAKE EXCESSIVE, WIND- FALL PROFITS	5 4%	3 5%	2 13%	1 3%	- -	- -	- -	2 5%	2 5%	- -	- -	2 13%	- -	2 6%	1 4%	- -	2 3%	1 6%	- -	2 6%	1 6%	- -
AGENCIES WANT NEW, GREATER FEES FOR NON ADVERTISING RELATED SERVICES	4 3%	2 3%	1 6%	1 3%	- -	- -	- -	1 3%	1 2%	1 13%	2 7%	1 7%	1 6%	- -	- -	- -	2 3%	- -	2 11%	- -	- -	- -
ADVERTISING AGENCIES HAVE NOT MASTERED ALL THE ELEMENTS OF TOTAL MARKETING COMMUNICA- TIONS	3 2%	1 2%	- -	1 3%	- -	- -	- -	1 3%	2 5%	- -	- -	1 7%	- -	2 6%	- -	- -	2 3%	- -	- -	- -	1 6%	- -

TABLE 24 (cont.)

	COMPENSATION AGREEMENT REPORTED										MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMIS- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)					PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
ADVERTISING AGENCY OVERHEAD IS TOO HIGH	3 2%	-	-	-	-	-	-	2 5%	1 13%	2 7%	-	-	1 3%	-	-	2 3%	-	-	1 3%	-	-	
THERE IS NO INCENTIVE FOR AGENCIES TO CONTROL THE COST OF THEIR SERVICES	2 1%	1 2%	1 6%	-	-	-	1 5%	-	-	-	-	-	-	1 4%	1 7%	1 2%	1 6%	-	-	-	-	
ADVERTISING AGENCIES HAVE NOT DOCUMENTED THE VALUE OF ADVERTIS- ING	1 1%	-	-	-	-	-	-	-	1 13%	-	1 7%	-	-	-	-	-	-	1 5%	-	-	-	
ADVERTISING AGENCIES HAVE NO RISK	1 1%	1 2%	1 6%	-	-	-	-	-	-	-	-	-	-	-	1 7%	-	1 6%	-	-	-	-	
ADVERTISING AGENCIES ARE TOO WILLING TO MAKE A PRICE DEAL FOR THEIR SERVICES	1 1%	-	-	-	-	-	1 5%	1 3%	-	-	-	-	-	1 4%	-	1 2%	-	-	-	-	-	

TABLE 24 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT										
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMISS- ION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%	NO ANSWER					0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100						
CONCERNS RELATING TO ADVERTISER PRACTICES IN AGENCY COMPENSATION (NET)	26 19%	14 22%	3 19%	9 23%	-	2 50%	4 21%	10 25%	8 18%	-	3 10%	2 13%	1 6%	7 21%	8 35%	5 33%	14 24%	1 6%	4 21%	5 16%	4 24%	1 33%
ADVERTISERS SHOULD WANT THEIR AGENCIES TO BE PROFITABLE	12 9%	9 14%	2 13%	5 13%	-	2 50%	1 5%	5 13%	2 5%	-	1 3%	1 7%	-	3 9%	4 17%	3 20%	6 10%	-	3 16%	3 9%	1 6%	-
ADVERTISERS HAVE NOT FOUND OUT HOW TO REDUCE AGENCY COSTS AND ASSURE THAT THE QUALITY OF AGENCY WORK WORK, SERVICE, PERSON- NEL IS MAINTAINED	9 7%	4 6%	1 6%	3 8%	-	-	1 5%	3 8%	4 9%	-	1 3%	1 7%	-	2 6%	3 13%	2 13%	5 8%	-	2 11%	1 3%	1 6%	1 33%
ADVERTISERS SHOULD PROTECT AGENCIES FROM VIOLENT SWINGS IN REVENUE	6 4%	4 6%	-	3 8%	-	1 25%	1 5%	3 8%	1 2%	-	1 3%	-	1 6%	3 9%	-	1 7%	3 5%	1 6%	2 11%	1 3%	1 6%	-
ADVERTISER MANAGEMENT IS TOO ANXIOUS TO REDUCE ADVERTISING COST BY SQUEEZING AGENCY PROFITS	5 4%	1 2%	-	1 3%	-	-	-	-	4 9%	-	-	-	-	2 6%	2 9%	1 7%	2 3%	-	1 5%	-	1 6%	1 33%
ADVERTISERS STILL EXPECT HIGH QUALITY AGENCY SERVICE AS BILLINGS AND AGENCY REVENUES DECLINE	3 2%	2 3%	1 6%	1 3%	-	-	-	2 5%	1 2%	-	1 3%	-	1 6%	-	1 4%	-	2 3%	-	-	-	1 6%	-
ADVERTISERS EXPLOIT AGENCIES WHEN THEY REQUIRE THEM TO WORK ON PROJECTS LIKE NEW PRODUCTS, CORPORATE ISSUES, ETC. THAT DON'T YIELD REVENUE FOR THE AGENCY	2 1%	2 3%	-	1 3%	-	1 25%	-	-	-	-	-	-	-	-	2 9%	-	1 2%	-	-	1 3%	-	-
IT IS UNHEALTHY FOR BRANDS THAT GENERATE LARGE COMMISSIONS TO SUBSIDIZE SMALLER BRANDS	1 1%	-	-	-	-	-	1 5%	1 3%	-	-	-	-	-	-	1 4%	-	1 2%	-	-	-	-	-
ADVERTISERS NO LONGER EXPECT AGENCIES TO BE TOTAL MARKETING PARTNERS	1 1%	-	-	-	-	-	-	-	1 2%	-	-	-	-	1 3%	-	-	-	-	1 5%	-	-	-

TABLE 24 (cont.)

	COMPENSATION AGREEMENT REPORTED											MOST HEAVILY ADVERTISED PRODUCT											
	FIXED PERCENTAGE						SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED ON- TIRELY	NEITHER COMMI- SION NOR FEE	ADVERTISING EXPENDITURE (IN MILLIONS)						PACK- AGED GOODS	CON- SUMER DUR- ABLES	BUSI- NESS TO BUSI- NESS	SER- VICES	COR- POR- ATE ADVTG	OTHER	
	TOTAL	TOTAL	LESS THAN 15%		MORE THAN 15%						NO ANSWER	0-\$4	\$5-9	\$10- 19	\$20- 49	\$50- 99							OVER \$100
			15%	15%	15%	15%																	
CONCERNS RELATING TO ADVERTISER PRACTICES IN AGENCY COMPENSATION (NET)	23 17%	14 22%	7 44%	5 13%	2 40%	- -	3 16%	8 20%	6 14%	- -	3 10%	3 20%	3 17%	7 21%	4 17%	3 20%	11 19%	6 35%	2 11%	4 13%	3 18%	-	
COMPENSATION SYSTEMS SHOULD PROVIDE POSI- TIVE INCENTIVES FOR SUPERIOR AGENCY WORK, NEGATIVE INCENTIVES FOR INFERIOR AGENCY WORK	14 10%	7 11%	3 19%	3 8%	1 20%	- -	2 11%	4 10%	5 11%	- -	2 7%	1 7%	1 6%	5 15%	3 13%	2 13%	7 12%	5 29%	1 5%	2 6%	1 6%	-	
INCENTIVES SHOULD BE TIED TO THE REDUCTION OF AGENCY COSTS	5 4%	4 6%	2 13%	1 3%	1 20%	- -	- -	1 3%	1 2%	- -	- -	1 7%	1 6%	1 3%	1 4%	1 7%	3 5%	1 6%	1 5%	- -	2 12%	-	
WHY SHOULD WE OFFER AN INCENTIVE TO AN AGENCY TO DO WHAT WE HAVE ALREADY COMPENSATED THEM TO DO	3 2%	2 3%	1 6%	1 3%	- -	- -	1 5%	2 5%	- -	- -	- -	- -	- -	1 3%	1 4%	1 7%	2 3%	- -	- -	1 3%	- -	-	
AGENCIES HAVE NOT DEMONSTRATED WHY INCENTIVE COMPENSATION WILL PRODUCE BETTER WORK	3 2%	2 3%	1 6%	- -	1 20%	- -	1 5%	3 8%	- -	- -	- -	- -	- -	1 3%	1 4%	1 7%	3 5%	- -	- -	- -	- -	-	
INCENTIVE SYSTEMS ARE DIFFICULT TO STRUCTURE AND ADMINISTER	3 2%	2 3%	1 6%	1 3%	- -	- -	- -	2 5%	1 2%	- -	1 3%	1 7%	- -	1 3%	- -	- -	1 2%	1 6%	1 5%	- -	1 6%	-	
DO INCENTIVE COMPENSA- TION SYSTEMS REALLY WORK	2 1%	2 3%	2 13%	- -	- -	- -	- -	- -	- -	- -	- -	- -	2 11%	- -	- -	- -	- -	1 6%	- -	1 3%	- -	-	
AGENCIES SHOULD SHARE IN THE SAME RISKS/ REWARDS AS ADVERTISERS	1 1%	1 2%	- -	1 3%	- -	- -	- -	1 3%	- -	- -	- -	- -	- -	1 3%	- -	- -	1 2%	- -	- -	- -	- -	-	
ALL OTHER SINGLE MENTIONS	14 10%	6 9%	1 6%	5 13%	- -	- -	1 5%	3 8%	5 11%	2 25%	2 7%	2 13%	1 6%	4 12%	3 13%	2 13%	8 14%	2 12%	4 21%	1 3%	1 6%	1 33%	
NO COMMENT	56 41%	29 45%	5 31%	19 48%	3 60%	2 50%	9 47%	17 43%	15 34%	3 38%	15 50%	4 27%	9 50%	14 42%	9 39%	3 20%	22 37%	7 41%	7 37%	15 47%	9 53%	1 33%	

TABLE 24 (cont.)

	COMPENSATION AGREEMENT REPORTED										ADVERTISING EXPENDITURE (IN MILLIONS)						MOST HEAVILY ADVERTISED PRODUCT					
	FIXED PERCENTAGE					SLID- ING SCALE	COM- MIS- SION+ FEE	FEE BASED EN- TIRELY	NEITHER COMMISS- ION NOR FEE	0-\$4							\$5-9	\$10- 19	\$20- 49	\$50- 99	OVER \$100	PACK- AGED GOODS
	TOTAL	TOTAL	LESS THAN 15%	15%	MORE THAN 15%						NO ANSWER											
CONCERNS RELATING TO ADVERTISER PRACTICES IN AGENCY COMPENSATION (NET)	23 17%	14 22%	7 44%	5 13%	2 40%	-	3 16%	8 20%	6 14%	-	3 10%	3 20%	3 17%	7 21%	4 17%	3 20%	11 19%	6 35%	2 11%	4 13%	3 18%	-
COMPENSATION SYSTEMS SHOULD PROVIDE POSI- TIVE INCENTIVES FOR SUPERIOR AGENCY WORK, NEGATIVE INCENTIVES FOR INFERIOR AGENCY WORK	14 10%	7 11%	3 19%	3 8%	1 20%	-	2 11%	4 10%	5 11%	-	2 7%	1 7%	1 6%	5 15%	3 13%	2 13%	7 12%	5 29%	1 5%	2 6%	1 6%	-
INCENTIVES SHOULD BE TIED TO THE REDUCTION OF AGENCY COSTS	5 4%	4 6%	2 13%	1 3%	1 20%	-	-	1 3%	1 2%	-	-	1 7%	1 6%	1 3%	1 4%	1 7%	3 5%	1 6%	1 5%	-	2 12%	-
WHY SHOULD WE OFFER AN INCENTIVE TO AN AGENCY TO DO WHAT WE HAVE ALREADY COMPENSATED THEM TO DO	3 2%	2 3%	1 6%	1 3%	-	-	1 5%	2 5%	-	-	-	-	-	1 3%	1 4%	1 7%	2 3%	-	-	1 3%	-	-
AGENCIES HAVE NOT DEMONSTRATED WHY INCENTIVE COMPENSATION WILL PRODUCE BETTER WORK	3 2%	2 3%	1 6%	-	1 20%	-	1 5%	3 8%	-	-	-	-	-	1 3%	1 4%	1 7%	3 5%	-	-	-	-	-
INCENTIVE SYSTEMS ARE DIFFICULT TO STRUCTURE AND ADMINISTER	3 2%	2 3%	1 6%	1 3%	-	-	-	2 5%	1 2%	-	1 3%	1 7%	-	1 3%	-	-	1 2%	1 6%	1 5%	-	1 6%	-
DO INCENTIVE COMPENSA- TION SYSTEMS REALLY WORK	2 1%	2 3%	2 13%	-	-	-	-	-	-	-	-	-	2 11%	-	-	-	-	1 6%	-	1 3%	-	-
AGENCIES SHOULD SHARE IN THE SAME RISKS/ REWARDS AS ADVERTISERS	1 1%	1 2%	-	1 3%	-	-	-	1 3%	-	-	-	-	-	1 3%	-	-	1 2%	-	-	-	-	-
ALL OTHER SINGLE MENTIONS	14 10%	6 9%	1 6%	8 13%	-	-	1 5%	3 8%	5 11%	2 25%	2 7%	2 13%	1 6%	4 12%	3 13%	2 13%	8 14%	2 12%	4 21%	1 3%	1 6%	1 33%
NO COMMENT	56 41%	29 45%	5 31%	19 48%	3 60%	2 80%	9 47%	17 43%	15 34%	3 38%	15 50%	4 27%	9 50%	14 42%	9 39%	3 20%	22 37%	7 41%	7 37%	15 47%	9 53%	1 33%



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